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Speech by Woodlief Thomas, Economic Adviser,
Board of Governors of the Federal Reserve System,
at Outlook Conference, Department of Agriculture,
54 Washington, D. C. - October 30, 1950

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U.S. DEPARTMENT OF AGRICULTURE

Sudden outbreak of war in Korea had far-reaching economic consequences both for this country and for the world at large. It has led to reconsideration of our foreign policies and a drastic revision in the magnitude and timing of our defense program. Expansion of this program and the prospect of a continued high level of defense expenditures for many years promise to exert progressively strong pressures on our capacities to produce and on the price structure. These prospects have necessitated a reappraisal of American economic developments and of the economic policies of the Government. Consequences of the Korean outbreak were superimposed upon an economy in which demand was already exceptionally strong, in which output of goods and services was above prewar peaks, and in which rising price tendencies were prevalent. The net result, therefore, has been an accentuation and acceleration of the previous trends rather than a reversal of direction.

The Postwar Background

In any appraisal of the economic situation in this country, it is essential to keep in mind that since the war there have been powerful and persistent forces operating to expand personal and business expenditures. Dangers of inflation have almost always been more serious than those of possible deflation. Deferred demands and accumulated shortages resulting from reduced production of civilian goods relative to buying power during the war were an important stimulus to buying in the early postwar period. The most important basis of this underlying tendency, however, was the wartime inflation of incomes and liquid assets. During the war period the available money supply in this country as measured by total bank deposits and currency expanded from less than 60 billion dollars to

over 170 billion dollars, or by nearly three times. In addition, individuals and businesses increased their holdings of Government securities by well over 100 billion dollars and these holdings were readily convertible into money.

These holdings of liquid assets were widely held, by businesses and individuals, with the relatively low income groups possessing substantial amounts—an unusual situation.

The physical volume of production of all sorts of goods and services at the maximum in the postwar period was hardly more than three-fourths larger than in the best prewar year, and prices in general rose by about two-thirds. The gross national production expressed in terms of current values increased to slightly more than two and a half times the prewar maximum. Total personal incomes increased by a somewhat larger amount and this income was widely distributed among the population. The biggest increases that occurred were in the lower and middle income groups.

The growth in population, which was accelerated in the war and postwar periods, likewise provided the basis for growing consumer needs. Governmental programs for stimulating housing, providing aid to foreign countries, maintaining a high level of military expenditures, supporting prices of some commodities, and assisting veterans contributed to the maintenance of a high level of income and affected its distribution, although on balance the Government maintained a substantial surplus of tax receipts over expenditures. Private credit expansion, which resumed after the war, proceeded at a rapid rate with expansion in loans to consumers, home owners, and businesses and in holdings of the securities of State and local governments. This credit expansion added to the already large money supply.

Under these conditions it is only surprising that the inflation suffered by this country was no greater than it actually turned out to be. It was certainly much less than we had reason to fear.

The year 1949 brought an end, at least for a while, to the threat of serious inflation. It was a year of economic adjustment. The adjustments were moderate and healthy, and occurred, moreover, without the serious and far-reaching crash that had been so widely feared as the terminus of the boom. To a large extent the slackening in overall expenditures reflected the satisfaction of some deferred demands for both consumers and producers durable goods, a shift from sharp expansion to moderate curtailment of inventories, and reaction to some of the price distortions that had developed in the war and postwar periods.

After the middle of 1949 there was a marked recovery in production and employment which was still in process when hostilities began in Korea. The index of industrial production, which declined from 195 in November 1948 to 161 in June 1949, had risen to a new high level of 200 by June 1950, with output in many lines at or close to capacity. Employment was also at an advanced level and the number unemployed in June 1950 was below the February peak by more than the usual seasonal amount. The labor market was beginning to tighten. With more people employed and hours of work increased, wage payments were at a new high, as was the total of personal income from all sources. Consumption expenditures were at a new high, with demand for automobiles exceptionally great.

The housing boom was continuing--the number of units being started was about 50 per cent larger than in the corresponding periods of 1948 and 1949. At the same time business orders were increasing. The rise during the first half of 1950 was particularly marked for durable manufactures, reflecting heavy demand not only for consumer durables and housing but also for goods used in expanding plant and equipment. Business inventories again increased.

The widespread boom in this period was being financed in part by expansion of credit. At commercial banks, loans on real estate and loans to consumers continued their rapid growth and loans to business were showing less decline in the first half of the year than would ordinarily be expected at that season.

As a result of high and rising demands, and despite expanding supplies, wholesale prices by June had shown marked increases for three months and were one-third of the way back to the August 1948 peak. Prices of many basic materials and of building supplies had advanced considerably.

All in all, at mid-June, prospects for the remainder of 1950 appeared to be moderately inflationary for the economy as a whole and strongly inflationary in such areas as residential construction. The 1949 readjustments and prompt recovery, together with available monetary and credit resources, provided the basis for a sustained period of prosperity with dangers of inflationary excesses.

Economic Developments Since Korean Outbreak

The initial economic reaction to the Korean war was marked. For several weeks, scare buying was heavy, especially of commodities remembered to have been short in World War II. New orders rose sharply as producers made strong efforts to accumulate inventories and as they revised upward plans for expansion of plant and equipment. Manufacturers' new orders increased in July and August to the highest monthly volume in the postwar period. Orders for both durable and non-durable goods increased sharply with orders for transportation equipment doubling from June to July. Unfilled orders advanced sharply in July and August and were 60 per cent above a year ago in August.

Consumer buying showed especially sharp increases. Consumer and mortgage credit showed an accelerated expansion and loans to businesses began to increase at a rapid rate.

Federal expenditures on goods and services, however, increased only moderately, rising by an annual rate of about a billion dollars as the enlarged defense program got under way slowly. State and local government expenditures advanced only slightly.

CHANGES IN GROSS NATIONAL PRODUCT AND PERSONAL INCOME

Seasonally Adjusted--Annual Rates

(In billions of dollars)

Item	3rd Quarter 1950*	Increase, or decrease (-), 3rd quarter 1950 from:	
		2nd Quarter 1950	4th Quarter 1948
Gross national product--total	284.0	14.1	17.2
Government, total 1/	42.5	1.1	2.2
Federal	23.5	.9	-0.1
State and local	19.0	.2	2.3
Gross private domestic investment, total	49.0	3.1	2.2
New construction	22.5	1.6	4.7
Producers' durable equipment	25.0	3.4	4.1
Change in business inventories	1.5	-1.9	-6.5
Nonfarm only	2.0	-2.0	-4.7
Net foreign investment 2/	-3.0	-1.0	-4.0
Personal consumption expenditures	195.5	11.0	16.8
Durable goods	31.5	4.8	9.3
Nondurable goods	104.0	5.0	2.6
Services	60.0	1.2	4.8
Personal income	224.0	8.9	10.2
Disposable income	204.0	8.1	10.5
Personal saving	8.5	-2.9	-6.3

*Estimated by Federal Reserve.

Notes: (1) Includes purchases of goods and services only and excludes transfer payments, such as veterans' benefits. It includes grants under the foreign aid programs.

(2) Excludes grants under foreign aid programs.

Reflecting increased buying by consumers and businesses, the gross national product, which had been increasing sharply in the first half of the year, advanced by about 5 per cent in the third quarter—an unusually rapid increase. Concurrently, production also expanded with the Board's index of the physical volume of industrial output rising from its postwar peak of 199 in June to an estimated 213 in October. Increases in industrial production since June have been widespread among manufactured durable and nondurable goods and minerals, with all of the three major groups exceeding their 1948 highs. Output of basic steel and nonferrous metals, however, has been virtually stable at close to capacity since early in the spring. Construction, which had been at a high level, increased further in the third quarter with the total one-third above a year ago and residential building up 60 per cent.

Employment and average weekly hours also rose sharply and unemployment declined to its lowest level since the end of 1948. Tightening supplies of labor, rising consumer prices, and the sharply higher levels of business profits led to widespread increases in wage rates in some industries.

With output and employment increasing and wages and salaries rising, personal income has expanded rapidly and in September was at a peak annual rate of about 22½ billion dollars. The increase from the second quarter of this year was about 19 billion dollars.

Personal consumption expenditures increased even more markedly. From a seasonally adjusted annual rate of 185 billion dollars in the second quarter—at that time the highest rate on record—expenditures rose to a rate of over 195 billion in the third quarter and are currently close to that rate. About half of the increase represented price advances while the other half represented expansion to record levels in real takings of consumers. Increases occurred in many major categories of consumption, with expenditures for durable goods increasing by almost one-sixth.

The increase in consumer outlays came only in part out of increased incomes. It reflected also an increased rate of buying out of current income, some drawing down of liquid assets, including holdings of series E bonds, and a sharp increase in consumer instalment loans.

With production close to capacity in key industries, the sharp further expansion of buying on the part of consumers and businesses led to widespread price advances. Prices of basic commodities rose more than one-third since March and one-fourth since the outbreak of hostilities. Average wholesale prices rose 11 per cent, and consumer prices, which typically lag, advanced about 4 per cent since March. Prices of farm products and foods did not rise to their earlier postwar peaks and recently have shown some decline, reflecting principally seasonal decline in hogs. Wholesale prices of other commodities, which have increased over 8 per cent since June, are above their earlier peaks and have continued to rise. Consumer prices have risen to approximately their earlier postwar peak.

Credit and Monetary Developments. Expansion in credit by banks and other lenders, which had been going on for some months, accelerated after the outbreak of hostilities and helped to finance the growth in business and personal expenditures for various purposes.

Commercial banks increased their total loans by an estimated 4 billion dollars in the third quarter and their holdings of State and local government and corporate securities by about 800 million dollars. The expansion since June in credit to private borrowers and to State and local governments, which has been in part seasonal, has exceeded that in any peacetime period of similar length. Much of the recent sharp expansion in loans reflects commitments made before restrictive credit policies began to be imposed. Some of the expansion may have re-

Businesses have been especially heavy borrowers in recent months as they anticipated shortages of materials and increases in prices, and, in addition, provided for seasonal needs. Bank loans to business have increased by more than 2.5 billion since June.

Credit extended by banks and other lenders to purchasers of houses has been a large factor in the recent expansion of private credit. New loans on small residential properties during the first nine months of 1950 are estimated at slightly less than 11 billion dollars, or an annual rate of almost 14.5 billion compared with roughly 11 billion in each of the past three years. After allowing for repayments, total mortgage debt outstanding on 1-4 family houses increased 2 billion dollars in the third quarter and by 6 or 7 billion in the past twelve months, compared with an increase of less than 4 billion during calendar year 1949.

Even before the Korean crisis banks and other lenders were financing a marked expansion in consumer buying, especially of durable goods through the extension of instalment credit. After June consumer instalment credit increased more sharply, showing an expansion of about a billion dollars in the third quarter.

Recent growth in bank credit has added considerably to the money supply. During the third quarter of 1950 the total of currency and bank deposits held by individuals and businesses increased more than 2 billion dollars to a new peak level of about 172 billion. This rapid rate of increase almost equaled that of the third quarter of 1947—a period of substantial inflation. The increase would have been much more rapid had not nonbank investors, particularly business corporations, drawn upon growing cash balances to purchase a large volume of Government securities from the banking system during this period. These holdings are similar to cash.

Increased spending in the economy since midyear has been financed not only through new borrowing and an expanded supply of money, but also in part by more active use or turnover of money. The rate of use of deposits is now higher than at any time in more than a decade but is still low relative to the 1920's. The existing volume of deposits could be the basis for a considerable further increase in spending without the creation of additional money.

Another factor in the recent increase in spending has been the reduction in certain types of liquid asset holdings by individuals. During the third quarter time deposits at commercial and mutual savings banks declined by approximately one-half billion dollars, redemptions of savings bonds exceeded purchases by about one-third billion, and shareholdings at savings and loan associations were also drawn down.

Additional bank reserves to provide the basis for growth in deposits and the volume of money resulting from the credit expansion during the postwar period generally have been readily obtainable by selling Government securities to the Federal Reserve. Since March of this year, both reserves and Federal Reserve holdings of securities have increased. The Federal Reserve has generally purchased securities approaching redemption, in order to assure the success of Treasury refunding. At the same time, the System has sold substantial amounts of long-term bonds to supply investment demands and has also sold some shorter-term issues for which there were market demands. Net purchases of 700 million dollars in the second quarter and of 1,200 million in the third quarter supplied over a billion dollars of additional reserves to banks, after meeting an outflow of gold of three-quarters of a billion.

Short-term money rates have tended to stiffen during most of this year, reflecting growing credit demands. This trend was moderated by Federal Reserve purchases of short-term securities, but some rise occurred in rates on bills and

and certificates as the Federal Reserve adopted more vigorous measures for restricting credit expansion.

Prospects

It is evident from events of the past three or fourth months that new and prospective demands, together with underlying forces, have brought on a highly inflationary situation. The upsurge that has occurred to date, it should be noted, has not been the result of a current Government deficit or even of an increase in Governmental expenditures. It has been due entirely to an increase in private expenditures—some that would have occurred even without the Korean outbreak and some in anticipation of possible shortages and probable price advances. These expenditures have been financed from growing incomes, use of accumulated liquid assets, and new borrowing. They in turn have helped to increase further business and personal incomes and have provided the means for more spending.

As defense production gets under way, private incomes will be expanded further while simultaneously supplies of goods and services available in civilian markets will not be increased. In many key industries output already is at or close to capacity and output for civilian use will need to be curtailed, possibly sharply in some cases, to provide materials and manpower for war production. Under these circumstances, inflationary pressures will continue to dominate economic developments. Even though on occasion there may be some abatement of upward pressures, the underlying trend is inflationary and unless vigorously restrained will lead to further substantial advances in prices and wages, which are the results of inflation rather than the primary causes. They do, however, contribute to the development of the inflationary spiral.

The magnitude of the prospective inflationary potential may be illustrated by a few figures. Congress recently appropriated an additional 17 billion dollars for defense, foreign military aid, and stockpiling, and it is possible

that additional appropriations will be requested late this year or early next year. In addition, the President recently stated that defense expenditures may double between mid-1950 and mid-1951. All in all, it appears that an increase of about 20 billion dollars on an annual basis may reasonably be expected in this period.

The President also indicated that the armed forces will increase their strength from 1 1/2 million in the second quarter of 1950 to about 3 million persons. In addition to this drain of 1.5 million people on the labor force, the industries and other activities supplying defense needs will require an additional 3 million workers--making a total of 4.5 million. The labor force might be expanded by 1.7 million in the next year and unemployment--which was 3.3 million before Korea--may be reduced to 1.5 million, supplying another 1.8 million workers--a total of 3.5 million to meet needs of 4.5 million. Thus the number of workers employed in civilian activities might have to be reduced by about 1 million. Even if the armed forces should increase by only 1 million, some reduction would still be implied for the number of workers in civilian activities.

Manpower Projected
(Millions of persons)

	<u>1950</u>	<u>1951</u>	<u>Change</u>
	<u>2nd Quarter</u>	<u>2nd Quarter</u>	
Labor Force	64.8	66.5	+1.7
Unemployed	3.3	1.5	-1.8
Employed			
Armed Forces	1.5	3.0	+1.5
Defense	1.7	4.7	+3.0
Civilian	58.3	57.3	-1.0

Let us next look at the prospective picture in terms of the dollar value of our total production of goods and services, reckoned on an annual basis and in terms of third quarter 1950 prices. With increased total employment, longer hours of work, additions to plant and equipment, operation of stand-by facilities, and increased productivity, it is not inconceivable that the annual rate of total output valued at unchanged prices could expand further from the third quarter of this year by about 6 per cent, or 17 billion dollars, at present prices. However, increased military requirements may require an additional 18 billion dollars, or more than the potential increase in the annual rate of total output, thus necessitating a small reduction in output left for all civilian purposes.

Expansion in Output - Projected
(Annual rates in billions of dollars
at 3rd quarter 1950 prices)

	1950 <u>3rd Quarter</u>	1951 <u>2nd Quarter</u>	<u>Change</u>
Gross National Product	284.0	301	+17
Defense	14	32	+18
Civilian			
Regular Government	29	29	-
Private	241	240	- 1

This, in a rough way, is an indication of the overall physical problem of meeting the planned expansion in the armed forces and in satisfying military, stockpiling, and foreign assistance requirements for munitions and other supplies. This aspect of the problem appears manageable, although for some strategic materials, such as steel and copper, substantial difficulties may be encountered. The general inflationary problem, however, is much more difficult. The essence of that problem lies in the fact that increased expenditures (at unchanged prices) of 17 billion will result in 17 billion of additional income, before

taxes, and some 11 billion after taxes in the hands of consumers and business, even after allowing for the recent sharp increases in personal and corporate tax rates. There will be no additional civilian goods and services available in the market to be absorbed by this much larger amount of added income available for spending or investment.

The inflationary potential in this situation is thus very great and unless restrained by sterilizing the excess income through higher taxes, greater liquid savings, and reductions in credit being utilized, the only possible result would be higher prices. That would mean even larger incomes and increased demands. Already in the third quarter of this year, although actual defense outlays increased only moderately, business and consumer spending increased sharply and total output and prices rose. The expansion has been primarily for civilian use. Thus, from now on, as defense production expands, the amounts available for civilian use may need to contract.

While some investment expenditures might be postponed under these circumstances, the need for modernization of equipment and expansion of capacity will have a high priority. Outlays for these purposes may be made in part at the further expense of consumer durable goods and housing. The supplies of these goods available for civilian use will be reduced and it is essential that demands for them decrease correspondingly.

The spread between prospective incomes and civilian supplies at current prices does not indicate the full inflationary potential. Current demand is not limited only to currently distributed income, but may be augmented by drawings on accumulated liquid savings by those disposed to spend them and also by borrowings that add to bank credit and the money supply. With uncertainty as to the availability of future supplies and as to the level of future prices,

there is greater inducement for the spending of liquid savings and resort to borrowing. As a result, prices may rise further and incomes be again increased.

With high employment and tightening pressures upon manpower supplies, rising living costs, and expanding profits, workers are in a position to ask for higher wages. At the same time, employers are in the position of having to bid actively for labor by offering extra inducements to workers and with demand strong business is able to raise selling prices to cover any additional expenses. Thus, higher prices lead to higher wages and costs and to higher prices again.

The general psychology of businesses and individuals with respect to future prices and availabilities of products is necessarily a highly critical factor in shaping inflationary forces. During the period of growing defense and war expenditures in the early 1940's, the background was one of slack and depression with low incomes and depleted savings.

The financial background of the present economic situation, in contrast, is a decade of inflationary economic expansion, accentuated by war necessities and postwar readjustment. Businesses and individuals are aware of the processes and consequences of inflation and are familiar with the hazards of wartime shortages. With depression unlikely and continued large Government spending probable, there will be less reluctance to spend and borrow and less desire to save than was formerly the case.

Projections

Possible developments over the next year are illustrated by the projected lines on the charts. These are not forecasts but broad approximations of the course of the indicated possible aggregates under specific assumptions. Defense expenditures are assumed to increase by an annual rate of about 20 billion dollars by the second quarter of 1951 and to rise further thereafter. Aggregate output, independently of price changes, is assumed to increase by 8 to 10 per cent

from the second quarter of 1950 to the second quarter of 1951, with industrial production rising by about one-sixth in this period.

Model A assumes that direct controls will be limited and that most anti-inflationary measures will be applied in a moderate manner. No further tax increases in addition to those recently enacted are assumed. Model B differs from Model A by assuming progressively more rigorous credit and fiscal controls and more extensive direct controls to channel materials into war production, but does not assume general price and wage ceilings or consumer rationing. It assumes that another tax program yielding 9 or 10 billion of additional revenue, when fully effective, will be enacted early in 1951.

By the end of the first quarter of 1951, more rigorous controls in Model B should exert a progressive restraining influence on prices, incomes, and expenditures. Consumer prices are estimated to rise by 8 to 10 per cent in Model A and by 5 to 6 per cent in Model B from the second quarter of 1950 to the second quarter of 1951.

The prospect is that Federal cash receipts will approximately equal cash disbursements during fiscal 1951 under Model A but that calendar year 1951 will show a cash deficit of over 5 billion dollars. In Model B, a cash surplus of over 1 billion dollars would be likely for fiscal year 1951 and a deficit of about 2 billion dollars would be likely for calendar 1951. In either case, the Treasury may not need to resort to borrowing in the market before next summer, but will have to borrow substantial amounts in the last half of 1951.

	Estimated 3rd Quarter 1950	Projected 3rd Quarter 1951 Model A*	Model B*
Gross National Product	284.0	333.1	318.7
Government purchases of goods and services - total	42.5	67.9	65.8
Federal	23.5	47.7	46.0
State and Local	19.0	20.2	19.8
Gross Private Domestic Investment	49.0	55.7	51.1
Net Foreign Investment	-3.0	-1.5	-2.0
Personal Consumption Expenditures	195.5	211.0	204.0
Durable Goods	31.5	26.0	25.0
Nondurable Goods & Services	164.0	185.0	179.0
Personal Income	224.0	259.1	250.2
Disposable Income	204.0	232.7	222.2
Personal Savings	8.5	21.7	18.2

* See text for principal assumptions.

Effect of Restrictive Policies

Many of the forces that will determine the course of economic events during the next year appear reasonably certain. An important factor, however, will be the course of public psychology, which is always difficult to predict. Should the general public become convinced that shortages of desired goods will not develop and prices will not rise, or should accumulations of goods appear adequate, there could be a sharp change in the rate of current expenditures that might check the course of the inflationary spiral. It is possible that temporary halts or reversals will occur, especially if defense buying is slow in accelerating. The prevailing force, however, assuming the military program indicated, should be a continued pressure of demand on limited supplies.

The most important force that might direct or change the course of events is public policy. Inflation can be accelerated or retarded or even prevented by adoption of appropriate policies.

Because of the limited magnitude of the presently contemplated defense program relative to the total output of the economy and in view of the possibility of its long continuance, the decision has been made to rely largely upon general fiscal and monetary measures of restraint rather than to attempt the use of a broad system of detailed controls in the nature of specific price ceilings, allocations of materials, and consumer rationing. Fiscal and monetary measures are designed to limit buying power and, therefore, strike at the basic cause of inflation. The direct controls aim at preventing the effects from expressing themselves and thus furthering an upward spiral. To use the latter without the former would be like limiting the outflow of steam from a boiler while still stoking the furnace—an explosion would be the inevitable result. Moreover in an economy with civilian activities close to previous maximum levels, the task of rationing and allocating output while preventing the price system from functioning would involve enormous administrative problems and would result in the

temporary abandonment of much of our free enterprise system.

In some strategic areas, allocations and priorities will no doubt be needed and perhaps also arrangements for stabilizing prices and wages. Machinery has been established for limited measures of this sort.

Fiscal measures already taken include legislation for prompt, though moderate, tax increases, designed to raise some of the additional funds needed. In addition, some expenditures for less essential Governmental activities are being reduced. Further tax increases are contemplated in order to place the Federal Government as nearly as possible on a pay-as-you-go basis--the most important requisite for a long-time defense program of the type apparently contemplated.

To the extent that the Treasury may incur a deficit--even if only for temporary periods, it is desirable that as much borrowing as possible be done from savings of the public and as little as possible from the banking system. To the extent that savings can be tapped by the Government, the supply of funds available for private investment of an unessential character will be limited. Additional borrowing from nonbank investors and reduction in securities held by banks would exert a desirable anti-inflationary influence.

Of very great importance are measures of restraint in the area of private credit. As has been shown, recent inflationary developments have been the result of increased private spending from existing resources and new borrowing. Restraints of this sort are particularly difficult because of the large supply of liquid assets accumulated by individuals, businesses, banks and other financial institutions. Increased expenditures can be financed from existing cash holdings, from the sale of Government securities, or from borrowing.

Restraints, therefore, need to be imposed on extension of credit and in addition liquidation of Government securities by holders has to be discouraged. Various measures directed toward these objectives have been adopted by the Federal Reserve, including curbs on use of credit for purchase of new houses and consumer durable goods, as well as general restraints.

There has not yet been time to test the effectiveness of these measures of credit restraint. The rapid credit expansion which has continued reflects in part seasonal and other temporary factors and also commitments made before restraints were imposed. More restraints may need to be imposed. It is important that inflation be checked if the nation is to accomplish its objectives of building up an adequate defense establishment, of maintaining a strong economy operating on the principles of free enterprise, and of preventing a deterioration in the value of current incomes and accumulated savings.

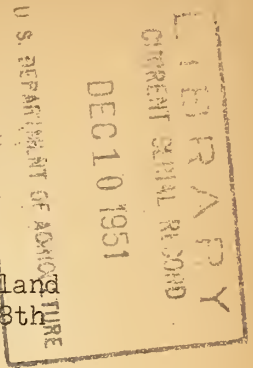
It is possible to foresee that forces operating toward inflation are likely to be strong; it is not possible, however, to predict what measures may be adopted to restrain them nor to know how effective those measures may be.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

CONSUMER EDUCATION IS ESSENTIAL FOR RATIONAL MARKETING

Summary of Address by Charles E. Eshbach, Director, New England Extension Services' Marketing Information Program, at the 28th Annual Agricultural Outlook Conference, Washington, D. C., October 30, 1950.



Wider consumer education about efficient buying of foods is essential as a step toward improving the marketing system for agricultural products. The array of products that go into modern living is so great that the consumer today cannot be an expert purchaser of all the things her family needs. In order to buy the family's food most efficiently and economically, the food shopper would have to possess a wide range of information about market conditions, seasonal movement of supplies, quality of products, nutritional values, and price differentials between competing food items — to name only a few of the considerations involved.

Under these conditions, it is clear that the food shopper today needs help and advice in connection with the purchase of many items. There are many things she and the consumer generally can be taught about food marketing that will be helpful to them, and at the same time assist in solving the marketing problems of agriculture.

Part of the educational task is to inform — to provide to consumers the information they need on the many factors that make marketing, food selection, and food purchasing so complex. Beyond this, however, is the job of teaching consumers how to apply and use the information furnished them, so as to improve the efficiency of their food shopping. More rational and economical food shopping by consumers — based on improved understanding of differences in prices, quality, grade, variety, store differences, quantity discounts, and nutritional requirements — could not fail to be reflected in improvements of the marketing system itself.

An example of effective consumer education is provided in the program now in operation in the New England States, sponsored by the New England State Extension Services.

The New England Extension Services Marketing Information Program operates in all of the 6 States and has a central office at Boston. It was established in April 1949, for the purpose of conducting a food marketing education program with consumers, producers, and handlers in the New England area. Research and Marketing Act funds provided the necessary finances. The program has the unqualified support of the Extension Service Directors, the State Departments of Agriculture and Commissioners, and the people of various agencies of the U. S. Department of Agriculture.

From Extension's point of view, this program advances the Cooperative Extension Services' educational program toward a balance with the emphasis which has been placed on efficient production for so many years. It is bringing to the marketing field attention which eventually should equal or surpass that now devoted to production, although not at the expense of the educational efforts with producers. It is giving to New England a composite view of the importance of consumer education, retailer education, and producer education -- not as three different things, but as parts of the same thing.

The program involves collection of information from many sources, and about many products, for dissemination to consumers through a wide variety of outlets -- newspapers, radio, television, home economics teachers, institutional buyers, dietitians and school lunch workers, libraries, consumer groups, and others. Although there is a need for much additional information, the present program is providing a substantial service to consumers and others through timely, factual and reliable reports. In addition, we are sure that our consumer education program will be exceptionally useful in the months ahead in pointing to national emergency requirements in terms of current buying problems.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

FEDERAL FISCAL POLICY

Address by Roy Blough, Council of Economic Advisers, at 28th Annual
Agricultural Outlook Conference, Washington, D. C., October 30, 1950

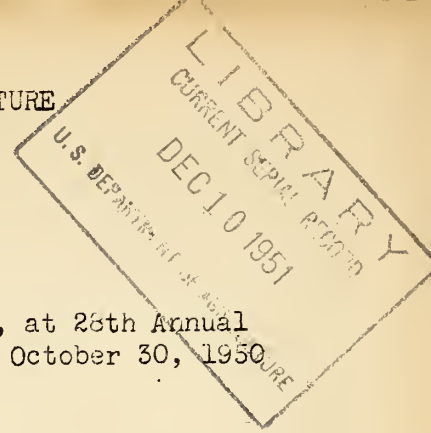
The outlook for Federal fiscal policy has been drastically changed by the expansion of the defense program following the Korean attack. Additional appropriations and authorizations for defense and related purposes were approved by Congress in the amount of about 17 billion dollars. The rate of defense spending is expected to roughly double between June 1950 and June 1951. How much the program will be still further enlarged is for the future to disclose. Our thinking should be adjusted to the possibility that such enlargement may be very considerable.

Tax action also was taken by Congress in the recent session. A tax bill which passed the House in June, with the major purpose of reducing excise tax rates, was completely overhauled in the Senate and emerged finally as an act which made no excise tax reductions but increased individual and corporate income taxes by an annual estimated amount of about 4.7 billion dollars. The corporate normal and surtax rate was set at 45 percent for income in excess of 25 thousand dollars, the highest corporate taxes ever imposed except as wartime excess profits taxes, and individual income tax rates in each bracket were raised to within 3 percentage points of the highest rates prevailing during World War II. All responsible leaders are talking in terms of a much larger additional tax increase on top of those already imposed. The Congress directed its taxing committees to submit bills providing for an excess profits tax when Congress reconvenes.

The goal of Federal fiscal activity in the defense program is to contribute to national security and welfare in its fullest sense. The increase of defense expenditures is an instrument by which the economic resources of the country are directed to producing for defense purposes rather than for civilian purposes. In the process, powerful inflationary pressures arise. The problem now faces us, how to stabilize an economy subject to these inflationary pressures—how to dissipate the pressures harmlessly or, at least, prevent them from damaging the economy.

The economic effects of military expenditures are not a new problem. Throughout the postwar period we have had a defense program which, to prewar eyes, would have looked tremendous. And during the war, of course, we had a defense program enlarged to maximum level. Not since 1939 has either the Federal budget or the national economy been free of the influence of heavy current military expenditures.

The economic effects of a military program depend on its size, the speed of its growth, and the attitudes of the public. Size is important because it determines what proportion of the economic power of the Nation must be devoted to the defense effort. The speed at which the program is executed is important



because speed affects the rigor of the economic adjustments which must be made. A slow rate of growth in the defense program might be matched by the increase in the total productivity of the economy, so that no general cuts would be required in supplies to civilians, while a very rapid rate of rearming would necessitate sudden adjustments and thereby require not only civilian sacrifices but direct and rigid controls. Public attitudes are important because no method of solving the problems of a defense economy can be successful without a large measure of public cooperation. Here is a matter on which all of us can help. During the war, the public supported the war effort and the sacrifices and restrictions required by it with great intensity and unanimity. The same patriotic attitude toward the lesser requirements of the defense effort will go far toward making it a success. It is disquieting to see minor inconveniences resulting from steps thus far taken blown up into the appearance of major injustices. Unfortunately, in a long drawn-out defense effort, it is not likely either that attitudes of wartime intensity can be achieved or that they could be maintained if they were achieved. This fact poses a major difficulty for economic policy in the defense period in that some stabilizing measures which would be very useful are likely to be unavailable because the public attitude necessary for their successful application does not exist.

Inflationary pressures are not the only economic problem presented by the enlargement of the defense effort. Another problem is to move quickly toward achieving adequate production of material required for the arming and expansion of military, naval, and air forces, and for civilian defense. In part, this is a problem of stepping up production in plants already engaged in producing military goods. In part, it is a matter of reopening plants which have been kept in reserve since the war. And in part, it is a matter of diverting raw materials, plants, and labor from civilian to military production. Still another economic problem raised by the defense effort is to increase the total productive power of the whole economy. Production and the capacity to produce are basic sources of both military power and a strong civilian economy. The larger the productivity of the economy, the less the impairment of the civilian standard of living required to achieve the necessary defense production. In a full scale war, the military requirements on the one hand and the immediate demands for consumption on the other would so absorb the whole national production that little if any residue would remain to provide new investment and productive growth. With the level of defense expenditure greatly below the levels of full scale war, however, there is opportunity to expand productive power, for example, through increased investment and research.

Fiscal policy can contribute, at least in a minor way, to the solution of these problems of expanding defense production in particular and over-all productive power in general. Government orders and expenditures put the industrial machine to work on defense production. Taxation can furnish the money, which is obviously important, although a lack of tax revenue would not likely stand in the way of spending for defense. Accelerated depreciation can serve a useful purpose in facilitating necessary plant expansion, but its inequities are such that it needs to be used carefully and sparingly. The growth of the economy in general can be aided in this period through a tax policy that avoids repressing economic incentives, and encourages investment. However, increases in investment, while they enlarge future supplies, are made at the expense of current consumption, so that taxes which encourage investment must also discourage consumption if inflationary pressures are to be diminished. This may raise acute problems if consumers

generally press for a high and rising level of consumption, and are unwilling to have it reduced. This brings us back to the problem of maintaining a stable economy in the face of strong inflationary pressures. It is in dealing with this problem that fiscal policy can make a major contribution.

Maintaining a stable economy, particularly price stability, is an immediately urgent and immensely difficult task. The problem is essentially one of maintaining a balance between civilian supply and civilian demand. Civilian supply of some commodities will certainly have to be restricted, for example, commodities made of copper, aluminum, steel, rubber, and so on. Civilian supply in general also may have to be reduced if the increased requirements of defense production exceed the rate of growth of the productive power of the economy. Thus, despite total increases in production, the civilian supply cannot be expected to show much increase, and is likely to show decreases.

Civilian demand on the other hand may be expected to increase. Each dollar of increased production is reflected in a dollar of increased income which, in the absence of preventive measures, is available for spending. Moreover, if consumers expect shortages or rising prices, they may seek to use their savings as a source of spending power, and to borrow for the purpose of buying durable consumer goods and housing. Businessmen, anticipating the increase in governmental and private buying, seek to expand their inventories and enlarge their facilities. All of these elements combined point to demands for civilian goods and services substantially in excess of supply. In the absence of preventive steps, the result would inevitably be price inflation. It is the kind of price rise that would likely become a price spiral, since higher prices would lead to higher wage demands and larger incomes generally, which, in turn, would lead to still further demand, higher prices, and so on. There is evidence that this process has already started.

One of the effects of inflation is to serve as a substitute for taxation. The manner in which inflation distributes burdens among the population has sometimes been compared favorably to the distribution of burdens by certain forms of taxation. There is this important difference. Taxes can be reduced when the need for them declines. But once the price and cost structure has become integrated at a higher price level, any effort to achieve a substantially lower price level is likely to result in unemployment and depression, causing greater social losses than the social gains which lower prices would confer. The only way to cure an inflation is to prevent it.

But why should we be afraid of inflation? Does it not increase our incomes? The increase is purely illusory for the Nation as a whole and the redistribution of wealth and income that results from inflation is economically undesirable and may be socially dangerous. Inflationary price rises would impair the relative and absolute economic positions of those persons and institutions which have relatively fixed incomes or own assets of fixed money value. The members of the armed forces, millions of persons living on pensions and insurance, and other millions receiving salaries and wages that move slowly would be particularly hurt. Educational and charitable organizations would face a discouraging exaggeration of the tremendous problems which wartime and postwar inflation have placed upon them. The distortion of incomes caused by inflation would channel production into unusual and unsustainable patterns, thus sowing the seeds for later depression. The money cost of the defense effort would rise. Public morale would be deeply shaken by the shock of a declining value of money. There would be danger that eventually--fortunately, in other countries it has usually been long delayed--there might be a failure of public confidence in the future of the dollar, with disastrous

consequences. Any large or continuing rise of prices would be a major blow, especially coming so soon on the heels of the price increases during and after World War II.

It is imperative, therefore, that there be the strongest possible resolve within the executive branch of the Government, in the Congress, and by the public that extensive inflationary price rises shall not happen again. There must be better understanding of why they happened before. And there must be a willingness for business, agriculture, and labor to see the rosy outlook of rising money incomes fade out into the grimmer picture of hard realities.

The increase of total production is often proposed as an important method of preventing inflationary price rises, but it is only a partial solution. If production increases because more workers are employed or put in longer hours, they receive larger incomes as do the businessmen and suppliers of raw materials. These increased incomes create greater consumer and business demand. But the increase in supply, generally speaking, is required for defense and is not available to fulfill civilian demands. Thus, inflationary pressures continue, despite larger production.

Aside from expanding production, there are three general methods of forestalling inflationary price rises. The first is taxation, which takes money away from people, thus decreasing their ability and willingness to buy more than exists to be bought. Taxation is essential to the continued success of all other methods of preventing inflationary price rises. The second method is to prevent current incomes, past savings, and newly created credit from being spent. Controls on credit help to achieve this result. Allocations and rationing may also be used in appropriate circumstances. It is very important also to persuade the people that it is in their interest and the public interest to save more and spend less. But forestalling inflationary price rises through prevention of spending presents a threat of future inflation when the barriers to spending are lowered.

The third method of forestalling inflation is to prevent incomes from rising, thus preventing an increase in demand. This function is performed directly by price controls, including wage controls, and indirectly by all other methods which prevent price increases. Increases in the prices of products and the factors of production are increases in the incomes of the sellers. If and when other methods fail, direct controls of the prices may be used to prevent incomes from rising. In the process, of course, market forces are interfered with and damage may be done to the functioning of the economic structure, unless at the same time the suppressed demand is relaxed by taxation or other measures. Still, it must be recognized that direct price controls have worked in the past, and are part of the kit of tools that must be kept ready at hand in case other methods do not succeed.

It should be stressed that none of the methods of forestalling inflation creates the burden of the defense program. That burden rises from the requirement that resources and manpower be withdrawn from the production of civilian goods and services at the same time that money incomes are being enlarged by increases in total production.

Let us return to the proposition that tax increases are the basic foundation of any program for forestalling inflationary price rises. To hold to this view, it is of course, necessary first to accept the economic belief that taxation is an effective anti-inflationary measure. During the last war, it was maintained by many people, including some members of Congress, that the appropriate way to fight

inflation was by price controls and that the function of taxes was the narrow one of raising revenue. The recent quick reaction of the public in demanding general price controls at the outset of the Korean crisis may reflect a continuation of that view. We may recall also that in the controversy over tax reduction in 1947 and 1948, some members of Congress maintained that taxation was inflationary rather than deflationary. Yet, if there are any doctrines that economists universally believe, one of them is surely that two basic remedies for inflation are reductions in Government expenditures and increases in taxes.

Of course, we should make every effort to reduce Government expenditures. There is no excuse for inefficiency in Government at any time. Efficiently run Government programs may be worth what they cost, more than they cost, or less than they cost. The last, of course, should not be undertaken. But determining the worth of governmental programs to various segments of the public is an economic and even a philosophical problem of no small dimensions. It will be agreed, however, that some programs which are clearly worthwhile in a period of relaxed peace may have to give way when the pressure on the economy of defense requirements rises as it is rising today. I do not recall knowing anyone who does not recognize this effect of changing times on the importance of governmental programs. Of course, opinions differ about how important certain programs are.

Substantial reductions in nondefense expenditures have already been made. I am sure that anything you can do to further reduce expenditures on Government programs that have a low priority will be more widely appreciated in Washington than you may believe. Government programs are not spawned by a few willful men. They result from pressures by large groups of the public. Our political system is not well adapted to resisting such pressures. The effort to reduce Government expenditures which do not promote the productive power and public morale of a defense economy is laudable, but we should not expect too much to come from it.

Heavy reliance in fighting inflation must be placed on tax increases. Let me emphasize again that an increase of taxes in a time like this does not create any new economic burdens. The defense program has created them already. All that the higher taxes do is to distribute the financial burden at once and finally. Taxation is superior to other methods of preventing inflationary price rises in important respects. It does not interfere with the operation of market forces. It does not present the threat of future inflation. It distributes the financial burden at the same time the economic burden must inevitably be borne. It protects the men and women of the armed forces from the ironic unfairness of fighting a war and coming home to pay for it too. Taxation is the normal method of providing funds for Government expenditures. In the absence of very good reasons, the total cost of the defense program should be paid as we go, out of current revenue.

The general acceptance today of paying for the defense effort through current taxes represents a great advance in public sentiment over that existing ten years ago. In 1940 a very small defense program was financed by borrowing which was to be repaid over a five-year period. I hope the advance represents a permanent gain. Almost everyone is now for pay-as-you-go. The test is whether you or I will still be for pay-as-you-go when we see the taxes and rates that will be required to achieve that result. As I recall, when the Revenue Bill of 1943 was under consideration, not a single important organization of businessmen, farmers, or workers was in favor of higher taxes, despite the fact that in the fiscal year that had just ended, budget receipts were less than 30 percent of expenditures. The danger is that once again when the American public sees what is involved in paying for the

defense program through taxes, there are influential groups which will discover that there are other, "better" ways of financing the defense effort, i.e., borrowing.

Even noninflationary borrowing does not postpone the total economic burden; it postpones only the allocation of the financial burden. Postponement of the financial burden means that in the future either higher taxes or inflation will extract the price which was avoided during the defense period. Borrowing is appropriate in a short and intense period of all-out effort. But for the long pull at a level considerably less than that of all-out war, there seems little sense in trying to postpone the financial burden to still a longer run. Psychologically there is some value in the mirage of postponement; when taxes pass some very high point, it may be necessary to resort to this mirage. But we should not use it unless it becomes imperative. Putting off the financial load until later eases the present pain, and we live forever hopeful that somehow someone else will bear the taxes later. But we, the public as a whole, will either bear the taxes or bear the inflation. It is better to bite the bullet now, while the threat is upon us. The long pull, whether it lasts five years or a generation, is not the kind of time to be piling up even a noninflationary type of debt.

Pay-as-you-go does not mean simply pay some time within a year or two or three. It means literally collecting the money not later than the time it is spent. Indeed, since inflationary pressures are running ahead of increased expenditures, the use of taxes to fight inflation calls for the largest practicable tax increase at the earliest possible moment. If surpluses of revenue are thereby achieved, so much the better in fighting inflation. The tax law which was recently passed is an excellent start. If taxation is to achieve its maximum usefulness in fighting inflation, this law must be followed up with other very large tax increases as soon as Congress is in a position to consider them.

If taxation is to perform successfully its anti-inflationary mission, tax increases must not give rise to compensatory increases in the incomes of those on whom the tax is intended to rest. The purpose of a tax program is to distribute the burden of taxes among the various taxpayers in a fair and economically sound manner. If any major economic group is able to escape the burden of the tax by securing a larger income, the intended burden distribution will be frustrated, and the tax does not achieve its anti-inflationary goal, since it does not reduce spending. It is then necessary to increase the burdens and reduce the spending of other economic groups. This is unfair and necessitates an unnecessarily large total volume of taxation, intensifying all the problems which high taxes produce.

The principle that tax increases must be absorbed by the persons who are intended to bear them has a direct bearing in applying wage contracts where wage increases are based on increases in the cost of living. Following this principle would mean that tax increases which apply directly to the worker would not be considered in wage negotiations and that the effects of tax increases on prices would be excluded in computing the cost of living. If this principle were not followed, these groups of workers would be placed in a peculiarly favored position being protected against both taxes and inflation, while other groups in the community would be obliged to bear an increased part of the burden, in either taxes or inflation.

This principle that tax increases should not result in compensatory income increases also has a bearing on agriculture. In computing parity prices, increases

in the prices of things which the farmer buys would not, under this principle, include any price increases which reflected tax increases. Otherwise, the parity price formula would operate to protect farmers against tax increases imposed in the form of sales, excise, or other shifted taxes.

Under this principle also, prices would not be raised by either private or public action because of increases in corporate income or profits taxes. Otherwise, business would escape the load intended for it and other groups would be unfairly burdened. Similarly, there are implications of this principle with respect to the excess profits tax. Measurements of excess profits would be based on profits before taxes rather than on profits after taxes, at least so far as tax increases are concerned.

One of the most puzzling problems of fiscal policy in the defense effort is how to promote equality of sacrifice in the face of the common emergency and at the same time give sufficient incentives to get the job done. As long as members of our armed forces are in personal danger or are being drafted from families and professions, emphasis must be strong on promoting equality of sacrifice, although obviously this cannot be completely achieved. There must be no great private gain from the defense effort, if the public generally is to be expected to bear the restrictions and burdens placed upon it. However, in our economy primary reliance for production must be on willing personal effort carried on without fear of the snooper or the threat of court martial. It has proved difficult through patriotism alone and without extra compensation to sustain the extra effort and extra efficiency that are required to get the job done. And to those who are not themselves required to put forth an extra effort, any extra reward received by others may appear to be the direct opposite of equal sacrifice. The problem is particularly difficult in the distribution of the tax burden. I do not know if there is a solution, but mutual forbearance and understanding will help.

The problem of how to prevent inflation in the defense economy is largely one of unpleasant alternatives. They are, of course, not altogether alternatives. It will undoubtedly be necessary to use in some degree all or nearly all the methods available to fight inflation. It is important to understand that the higher the taxes are raised, the less necessary it is to resort to the other, less desirable, methods of preventing inflation--up to the point where taxes exceed their economic limits. There is no royal road for bringing the economy safely through the strains of the defense program. It will take all of the understanding that we have, all of the self-restraint we have, and a great deal of willingness to accept onerous deprivations and burdens if we are to avoid damaging inflation.

But Government by the people will not work unless we have a responsible public which puts the National interest ahead of private interest. If important segments of the American public are going to assume that they must be protected against sacrifice, if groups with large economic power insist that their incomes after taxes must be kept sufficiently high to maintain their accustomed habits of expenditure, then there is no remedy except to impose compulsory direct controls. I am confident that once the farmers, the workers, the businessmen, and other major groups in the American economy see the dangers of selfishness and understand the nature of the economic problems of the defense economy, these problems will prove to be reasonably solvable.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Administration
Bureau of Human Nutrition and Home Economics

3 CURRENT FARM FAMILY LIVING 1/

Preliminary Report on Montana Enumerative Survey of Commodities Purchased by Farmers and Ranchers, 1949 and 1950; Survey of Farm Family Living in Four Kansas Counties, 1948-49; and Food Consumption Surveys, 1949.

Talks by Barbara B. Reagan, Jean L. Pennock, and Lelia Easson, Family Economics Division, at the 28th Annual Agricultural Outlook Conference, Washington, D. C., October 31, 1950

Information on current expenditures of farm families for family living items is sporadic. There is no recent information on a national basis, but current preliminary data are available for farm families in Montana. Last June, the Bureau of Human Nutrition and Home Economics and the Bureau of Agricultural Economics jointly conducted the field work for a survey of over 500 sample families in Montana to ask about their major farm and home expenditures during the previous year, 1949, and about their food purchases for a spring week in 1950. Montana State College and the Bureau of Reclamation also cooperated.

In addition, there is preliminary information on food and clothing expenditures from surveys of farm families in two Minnesota counties in 1949 and the spring of 1950, and preliminary data from the 1948-49 survey of farm family spending in four Kansas counties. Selected expenditures in some of these areas can be compared with recent data for urban families in Denver, Minneapolis-St. Paul, and Detroit.

Montana is a relatively high-income area, and so are the four counties surveyed in Kansas (Edwards, Ford, Gray, and Meade). The income level of the two counties surveyed in Minnesota (Meeker and Wright) was lower than that of Montana or the four Kansas counties.

In 1949, Montana ranked in the top ten States in the country with respect to the cash receipts from farming per farm. The four Kansas counties represent a special farming situation. The income level in 1948-49 in these counties was considerably higher than that of Kansas farmers as a whole. The gross farm income of the farmers in these counties was also higher than the 1949 gross receipts of the Montana farmers, partly because of the difference in the survey year. The cash receipts from farming in both States were lower in 1949 than in 1948.

In comparing the spending of the farm families in these three areas, it should be noted that in Montana a sample of all families is covered, but that only selected family types were studied in the other two farm surveys. Other differences between the areas should also be noted. Of the three survey areas, Montana is by far the most rural. Community facilities available, which may affect family spending, also differ. For example, a somewhat larger proportion of the farm families surveyed in the four Kansas counties had electricity in their homes (85 percent) than in Montana (78 percent). In addition, the rate of electrification of farm homes in recent years has been higher in the four Kansas counties than in the State of Montana as a whole.

1/ The data for farm families presented in this report are from preliminary tabulations. The figures may be revised slightly in final releases.

To orient these three farm areas in the total United States farm picture, the State and County level of living indexes of farm-operator families in 1945 may be used. These indexes are based on a combination of factors: Gross farm income, electricity, automobiles, and telephones. Farm operators in Montana had a slightly higher index position than the average for the United States. It was somewhat lower than the average for all the Mountain States, and considerably lower than the average for the West North Central States. The indexes for the two Minnesota counties were a little higher than the average for the West North Central States, while the indexes for the four Kansas counties were much higher.

In the following section, the total expenditures of farm families in Montana and the four Kansas counties for food, clothing and housefurnishings and equipment are summarized, and the expenditures of Montana families are compared with those of Denver families. In the two last sections, detailed information on food and household expenditures of the Montana farm families is presented along with preliminary material for the other two farm areas. Urban comparisons are made wherever possible. More detailed information on the characteristics of the farm areas surveyed is in the Appendix.

Per capita expenditures for food,
clothing and housefurnishings

Farm families in Montana and four Kansas counties.--Expenditures per person in Montana farm families for food in the spring of 1950 and for clothing and housefurnishings in 1949 were lower than in the four Kansas counties in 1948-49 (table 1). (The comparison is for selected family types operating commercial farms.)

An important factor in the difference in the expenditure for food was doubtless the amount of home-produced food used. In both 1948 and 1949 the average value of home-produced food per farm in the State was higher in Montana than in Kansas. ^{2/}

Change in the price level for food does not seem to be an important element in the difference in expenditures for food. The food price index for the country as a whole was about the same for the periods in which the lists were taken in the two surveys. On the other hand, a small part of the difference in the expenditures for clothing and housefurnishings and equipment may be attributed to a decrease in prices rather than to a difference in consumption. It seems clear, however, that the families on commercial farms in Montana actually bought a smaller amount of goods of these three categories than comparable families in the Kansas sample. This is partially explained by the fact that average income of these Montana families in 1949 was low in comparison with that of the Kansas families, because of the relatively small proportion of the larger commercial farms in Montana.

^{2/} Aggregate value of home consumption from The Farm Income Situation, Bur. Agr. Econ. U. S. Dept. of Agri., June 1950, divided by the number of farms in the State in 1945, from the 1945 Census of Agriculture. A similar relationship was shown by the 1945 Census of Agriculture.

Table 1.--Farm family living expenses, Montana, 1949 and 1950, and four Kansas counties, 1948-49

Geographic area, type of family, and economic class of farm <u>1/</u>	Number of cases in the sample	Expenditures per person		
		Food, a week <u>2/</u>	Clothing annual <u>3/</u>	House furnishings and equipment, annual <u>3/</u>
Montana farm, all families <u>4/</u> .	505	\$3.35	106	\$80
Selected family types on commercial farms.....	229	3.50	124	108
Kansas, four counties selected family types on commercial farms, 1948-49 <u>5/</u>	333	3.90	148	131

1/ Single consumers are included in all families. The selected family types include all families composed of husband and wife and 0-3 children under 22 years and no other persons.

Some difference in the family types between Montana and Kansas remains because the Montana survey covered all related persons in the household, while the Kansas survey family type refers only to related persons in the economic family, that is, persons dependent on a common pool of income.

Commercial farms are defined as those with gross farm income of \$2,500 to \$24,999, operator's share.

2/ Food expenditure in Montana is for food purchased during the week preceding interview for preparation at home. In the four Kansas counties it is for purchased food prepared at home during the week preceding interview. Expenditures for meals served the family guests, boarders and household and farm help are divided by the number of week-equivalent persons served (21 meals equated to 1 week-equivalent person) and rounded to the nearest nickel. Alcoholic beverages are included. For both studies averages are based on housekeeping families only.

3/ Annual expenditures are divided by the number of year-equivalent persons in the family.

4/ Montana Enumerative Survey of Commodities Purchased by Farmers and Ranchers. Clothing and housefurnishings and equipment expenditures are for the year 1949, food for a spring week in 1950.

5/ Preliminary data from Survey of Farm Family Living in Four Kansas Counties, 1948-49 (Edwards, Ford, Gray, and Meade Counties). Clothing and housefurnishings and equipment expenditures are for the 12 months, May 1948 through April 1949 and the food for a summer week in 1949.

The Montana families in 1949 were reducing their short-term debt whereas farm families in the State of Kansas increased theirs in 1948 so that the amount of money allocated to family living may have differed for this reason. ^{3/} Other factors such as use of consumer credit and allocation of income to build up farm inventories or improve the farm land and buildings, may have entered in also.

Another factor possibly responsible for some of the difference is rurality. Farms in Montana are, on the average, larger and therefore families live farther apart than in Kansas.

It must also be remembered that the Montana survey covered a year that marked a substantial change in the income trend for farm families generally. The up-trend had been halted a year earlier and the 1949 buying had been done while expecting somewhat lower income. Consequently, families' attitudes toward spending could reasonably have been more conservative. On the other hand, the Kansas families interviewed nearly a year earlier had not yet experienced the drop in farm income. Had these same families been studied a year later, quite a different story might have been obtained--not only because their gross farm income had dropped probably about 12 percent, but also because of a change in their expectations.

Montana farm and selected city families.--From the Bureau of Labor Statistics we have information on Denver family spending for 1948. In comparing the city family spending with that of the farm families in Montana a year later, we need to note again that for the nation as a whole prices paid for food, clothing, and housefurnishings were lower in 1949 than in 1948. Also prices in rural areas are generally thought to be lower than in urban places. Recent information is not available to show how the price level in Colorado compares with that in Montana for communities of the same size. ^{4/} In general, then in comparing the expenditures of families included in the two surveys, we need to keep in mind that the price level probably was lower in Montana rural areas in 1949 than in Denver in 1948.

^{3/} Agriculture Finance Review, Vol. 12, Nov. 1949, and Supplement to Vol. 12, May 1950. During 1949 families in both States had increased their farm-mortgage debt and in Kansas non-real-estate loans to farmers went up also. Montana operators on the other hand, reduced their short-term debt substantially so that their over-all per farm debt was lower than on January 1, 1949. Of course, some short-term loans were refinanced by real estate loans, thus increasing rather than decreasing current spending power. However, there is no reason to suppose that Montana families were any different from Kansas families in this respect. Old Emergency crop and Seed loans were written off the books in both States, perhaps more in Montana, but these amounts were relatively small.

^{4/} A study made by Florence A. Armstrong, State Differentials in Prices Paid by Farmers for Family Living, Social Security Bulletin, Nov. 1938, indicated that in rural areas prices of consumer goods in Colorado were lower than in Montana.

Expenditures of Montana farm and Denver families are shown in table 2. The great dissimilarity shown in expenditures for food results chiefly from the difference in home-production practices. As will be shown later, Kansas families produced large quantities of food for home use. In spite of the tendency of farm families to buy more and more foods that have been wholly or partially processed, home-production of food still has an important effect on their spending. A small part of the difference in the food expenditures exists because meals purchased away from home are included in the Denver figure, while the farm data relate only to purchases of food prepared at home. After an allowance is made for this difference, the food expenditures for food at home in Denver in 1948 were still considerably higher than the average for Montana farm families in 1949. Even on the large commercial farms in Montana, the average expenditure for food at home was not as great as that of Denver families.

Clothing expenditures per person in the Montana farm family in 1949 were lower than the Denver average in 1948. The Montana average was \$106 per person, and the Denver average, \$156. Even persons on the large commercial farms in Montana did not spend as much for clothing as those in Denver although they apparently had larger incomes. The figures we have available on the gross family income indicate that the income of the farm families on large commercial farms exceeded the average of a little more than \$4,000 for Denver families.

In contrast to the rural-urban comparison for clothing, the farm families spent about as much as the Denver families for housefurnishings and equipment. The average Montana farm family spent \$80 per person for these things in 1949. That was nearly as much as the Denver families spent per person, \$85 in 1948. The accelerated rate of electrification of the Montana farm families' homes since the war gave a great impetus to their purchases of household equipment. On the other hand, Denver families have had a longer period of available power and more time in which to build up home equipment inventories.

Similar comparisons can be made between the Montana farm family spending and the spending in Detroit and Minneapolis-St. Paul (table 2).

As farm families have more income available for family living, they are spending more and more like city families.

Family food purchases and home production

Fourteen items of food have been selected to illustrate some of the ways in which farm family food purchasing is like that of city families and some of the ways in which it may still differ (tables 3 and 4). Data concerning these items are available from our three recent farm studies--Montana, the two Minnesota counties, and the four Kansas counties. For a comparison with the urban situation there are similar data from Minneapolis-St. Paul. 5/

5/ The Montana and Minnesota data are for spring weeks and the Kansas for summer weeks. In making comparisons of items where seasonality might be a factor, only data for the same season are used. Data for another season would certainly show different levels of use of these items and might show different relationships between farm and urban families.

Table 2.--Family living expenses of Montana farm-operator families, 1949 and 1950, and of selected urban families, 1948 and 1949

Geographic area, economic class of farm, 1/ and type of family	Number of cases in the sample	Expenditures per person		
		Food, week 2/	Clothing, annual 3/	Housefurnishings and equipment annual 3/
All family types:				
Montana farm, all families 4/...	505	\$3.35	\$106	\$80
Small scale and part-time.....	113	3.30	71	51
Small commercial.....	127	2.95	93	64
Medium commercial.....	125	3.25	112	90
Large commercial.....	87	3.45	136	128
Denver, 1948, families of 2 or more with income under \$10,000 5/	156	6.95	156	85
Detroit, 1948 families of 2 or more with income under \$10,000 5/.....	346	7.25	154	74
Selected family types:				
Minneapolis-St. Paul 6/.....	7/	7.60	164	8/
Montana farm 9/.....	320	3.65	117	100

1/ Economic class of farm is based on the gross farm income, operator's share. The classes are defined as follows: Residential, under \$200; small scale and part-time, \$200-\$2,499; small commercial, \$2,500-\$4,999; medium commercial \$5,000-\$9,999; large commercial, \$10,000-\$24,999; large scale, \$25,000 and over.

2/ Montana data are for food purchased during the week preceding interview for preparation at home. Minneapolis-St. Paul and Kansas data are for purchased food prepared at home during the week preceding interview. For these studies, expenditures for meals served the family, guests, boarders, and help are divided by the number of meal-equivalent persons in the household. The Denver and Detroit weekly food expenditures are estimates of annual expenditures divided by 52 weeks and by the number of year-equivalent persons in the economic family, and include expenditures for food away from home. Estimates are rounded to the nearest nickel. Alcoholic beverages are included.

3/ Annual expenditures are divided by the number of year-equivalent persons in the family.

4/ Montana Enumerative Survey of Commodities Purchased by Farmers and Ranchers. Clothing and housefurnishings and equipment expenditures are for the year 1949, food for a spring week in 1950. Families and single consumers. Includes data for the residential farms and the large scale farms and some families with undetermined income not shown separately.

5/ U. S. Dept. of Labor, Bur. of Labor Statistics, "Consumer Spending: Denver, Detroit, and Houston, 1948." Monthly Labor Review, December 1949.

6/ Study of Food Consumption of Families in Minneapolis and St. Paul, spring 1949, and preliminary data from Study of Family Clothing Supplies in Minneapolis and St. Paul, 1948. Housekeeping families of 2 or more persons 16 years of age and over and 0-2 children aged 2-15 years are included in the food survey. Families composed of husband, wife and 0-2 children aged 2-15 years are included in the clothing survey.

7/ 149 cases in the food survey and 514 cases in the clothing survey.

8/ Information not available.

9/ Selected family types are families composed of husband, wife and 0-3 children under age 22, and no other person.

A familiar instance of the transfer of food processing out of the home is the use of baker's bread. In the Twin Cities 97 percent of the families interviewed bought some bread during the survey week. (Table 3) But the Kansas farm families were not far behind; 94 percent of the families interviewed in the four counties bought bread. In Montana and the two Minnesota counties, 77 and 80 percent respectively, of the farm families bought some bread.

A type of food processing that is increasingly in the spot light is what might be called semi-processing, that is, the preparation of a food product up to the final stages. Flour mixes and prepared desserts are examples of this semi-processing. There is relatively little difference in the use of these prepared flour mixes by the urban and farm families in our samples; their use was reported by about one-fourth of the families in each sample. Packaged desserts were used by a larger proportion of farm families than urban families. In Kansas and Minnesota about half the families reported using these desserts; in the Twin Cities, about 40 percent.

Butter is another instance of the transfer of food processing out of the home. In dairy regions families have almost uniformly adopted the practice of sending all their cream to the processor and buying back their butter. As a result, we find that the proportion using purchased butter in the week of interview was about the same among farm families in the two Minnesota counties as of urban families in Minneapolis-St. Paul. In areas where dairy farming is less important and fewer families are sending milk or cream to market, the proportion of families buying butter is not so high. Of the Montana families 40 percent and of the Kansas families 35 percent bought some butter in the survey week.

This pattern does not carry over to milk which frequently is not processed for consumption by the farm family. The proportion of farm families buying milk is lowest in the milk producing counties of Minnesota, 14 percent. However, even in the non-dairy areas of Kansas only 25 percent bought some fluid milk. In the Twin Cities, 98 percent of the families reported buying milk.

Easy accessibility to market facilities is important when the food is one that does not permit long storage. Ice cream is a case in point. More urban families than farm families bought ice cream, almost certainly a matter of nearness to the outlet. The figure for the Twin Cities is 58 percent. In the Kansas and Minnesota counties 46 and 44 percent bought ice cream. In Montana, the area of the greatest distances, 37 percent reported buying some. The low proportion of Montana families buying fluid milk is probably due in part to this distance factor.

Farm families in increasing proportions are buying non-staple foods they cannot raise, or which are out of season. Examples of these foods are the citrus fruits and lettuce. Although farm families lag behind city families in buying these items, a fairly large proportion of the groups studied reported such purchases. The highest proportion of farm families buying fresh oranges was in the two Minnesota counties (59) and the lowest in Montana (32). In contrast, 68 percent in Minneapolis-St. Paul used oranges. Grapefruit were bought by fewer families than were oranges; the disparity between farm and urban is somewhat greater, 15 percent of farm families in Minnesota compared to 26 percent of the Twin City families. 6/

6/ Kansas figures for this seasonal food are omitted. They are not strictly comparable with the other studies because they relate to a summer week while the other data are for a spring week.

Table 3.--Percent of families using 1/ selected purchased food items in one week in selected rural and urban areas

Item	Minneapolis-St. Paul 2/	Kansas, 4 counties 3/	Minnesota, counties 4/	Montana 5/
Fluid milk.....	98	25	14	15
Ice cream.....	58	46	44	37
Butter.....	95	35	97	40
Margarine.....	16	25	3	15
Flour mixes.....	27	27	25	6/
Bread.....	97	94	80	77
Packaged desserts.....	40	52	48	6/
Oranges.....	68	43	59	32
Grapefruit.....	26	6	15	4
Frozen citrus concentrate..	2	2	1	1
Lettuce.....	86	68	56	54
Frozen fruit (excluding citrus).....	11	7	6	3

1/ In Montana, data are limited to purchases made in one week. This has the effect of lowering the percentage when more than one week's supply of an item is purchased at one time. Other surveys refer to purchased food used in one week.

2/ Study of Food Consumption of Families in Minneapolis-St. Paul, spring, 1949. Housekeeping families of 2 or more persons 16 years of age and over and 0-2 children aged 2-15 years.

3/ Preliminary data from study of Farm Family Living in Four Kansas Counties (Edwards, Ford, Gray, and Meade Counties), summer, 1949. Farm-operator families of husband and wife and 0-2 children under 14.

4/ Preliminary data from study of Food Consumption of Farm Families in Minnesota (Meeker and Wright Counties), spring, 1950. Farm-operator, housekeeping families of 2 or more persons 16 years of age and over and 0-2 children aged 2-15 years.

5/ Preliminary data from Montana Enumerative Survey of Commodities Purchased by Farmers and Ranchers, spring, 1950. Farm-operator families of husband and wife, 0-2 children under 14 and no other persons.

6/ Not shown because data are limited to one week's purchase and thus are not comparable with data for other areas.

The proportion of urban and farm families buying lettuce were higher than for oranges in the four survey areas. In the Twin Cities 86 percent of the families interviewed bought lettuce compared with 54 percent of the Montana farm families.

The purchase of frozen foods supplements the purchase of fresh foods and can be considered along with them. These foods still are used by a relatively small proportion of both farm and urban families, and the farm figures are somewhat below the urban. In the Twin Cities, 11 percent of the families reported use of frozen fruits in the survey week. Among farm families the percent ranged from 3 to 7. Use of frozen citrus concentrate was reported by 2 percent of the Twin City families and Kansas farm families and by 1 percent of the Montana and Minnesota farm families. Because the Minneapolis-St. Paul and Kansas studies are

one year earlier than the Montana and Minnesota studies and the production of frozen citrus concentrate has grown at a phenomenal rate in that year, these figures probably understate its use in Minneapolis-St. Paul and Kansas in relation to Montana and Minnesota.

We can get some idea of how these changes in farm food patterns came about by studying groups of similar families at two points in time. For farm families in the four Kansas counties, we have data for similar types of families in 1936 and 1949. We find that, with one exception, the percentage of families buying was higher in 1949 than in 1936 for all the selected items for which we have data for both years. (Table 4.) Frozen foods came on the market during this period. None of these Kansas families reported buying them in 1936. In 1949, frozen fruits and vegetables were each reported by 7 percent and frozen citrus concentrates by 1 percent. The greatest percentage increase in numbers buying any of these items was shown for canned fruit juices, an increase of approximately twentyfold. Other items bought by more than twice as many families in 1949 than 1936 were packaged desserts (twelve times), margarine (8 times), milk (7 times), ice cream (3 times), and lettuce and grapefruit (2 times). The percentage of families buying some butter and bread also increased, but the latter was already high (67 percent) in 1936.

Table 4.--Percent of farm families using selected purchased food items in the week, 1936 and 1949

Farm-operator families of husband and wife with 0-3 children under 22, 4 Kansas counties

Item	1936, one week <u>1/</u>	1949, one week <u>2/</u>
Fluid milk.....	3	21
Ice cream.....	14	43
Butter.....	27	33
Margarine.....	3	24
Bread.....	67	94
Packaged desserts.....	4	53
Oranges.....	45	39
Grapefruit.....	3	5
Canned fruit juice.....	2	39
Frozen citrus concentrate.....	0	1
Lettuce.....	25	68
Frozen vegetables.....	0	7
Frozen fruit (excluding citrus).....	0	7

1/ A week between May 15 and September 15 in 1936.

2/ A week between May 23 and September 15, 1949.

In considering these changes in the buying practices of farm families in Kansas over this 13 year period, we must remember not only the changes in marketing practices which are more or less nation-wide, but also the tremendous change in Kansas farm income, for the earlier figures are for a year of crop failures in the Dust Bowl days, and the later figures are for a year of relatively good crops.

Now let us turn from the list of selected purchased foods to a consideration of the expenditures per week for food and beverages for home consumption. The data we have show that there is still a great difference between the food expenditures of city families and farm families. Probably the most important factor in the difference between rural and urban expenditures for food is that other source of farm

family food, home production. We have data on the home production of food for only one farm sample, Kansas. That study shows that home production is still of great importance despite the fact that farm families are buying an increasing variety of food and food processing services. Almost all farm families--99 percent--had some home-produced food during the year. In addition to the average annual weekly food expenditure of \$16.25 per household, an average for the year of about 550 pounds of meat, poultry and fish, 1,400 quarts of milk, 150-dozen eggs, 4 bushels of potatoes and an undetermined amount of garden produce and fruit were produced and used in the home. (Table 5.)

Beef and veal ranked first in quantity among home-produced meats. They were produced for home use by 61 percent of the farm families in the four Kansas counties, an average of 243 pounds for all households. Consumption of beef by the small scale and part-time farm families was markedly less than that of the other farm groups. The proportion producing was much lower and the average amount produced by those who had their own beef was also lower than in the other groups. Among the other farm groups there was an increase with income, but not as abrupt as between the small scale, part-time farms and the small commercial farms.

Pork was second to beef in importance among the home-produced meats. Nearly half of all the families reported some pork produced and used in the home, and the average for all families was 152 pounds. The production pattern by size of farm differed from that for beef. As with beef, pork was produced by a smaller proportion of the small scale, part-time farms than the commercial farms, but among the commercial farms the proportion producing pork for home use decreased with income. The average amount produced was relatively low for the small scale and part-time farms, at the peak for small commercial farms and declined somewhat through the medium and large commercial farms.

Milk was produced and used at home sometime during the year by 88 percent of the families. There was comparatively little variation in the proportion of families in the different classes of farms having some home-produced milk, but the small scale and part-time farms were lower than the commercial. The small and medium commercial farms had the highest average production for home use.

A larger proportion of farmers operating small scale and part-time farms than of those with a larger gross product produced potatoes for home use. A smaller percentage of them had other garden produce than among the small and medium commercial farms. Fewer farmers with small scale and part-time farms grew any fruit for home use than any other class.

Family purchase and inventories of housefurnishings and equipment

Purchases made by families in the housefurnishings and equipment group have a very special kind of interest. Articles in this group are usually bought with a long range plan in mind, and they give service over a period of years, sometimes a lifetime.

Families can postpone to a very large extent the purchase of furniture, other furnishings, and equipment. Should supplies drop off, as during a war, or prices become exorbitant, a family that is established can usually wait a while to buy.

Table 5.--Home production of food during year, by economic class of farm

1/ Farm-operator families of husband and wife with 0-3 children under 22, four Kansas counties, 1948-49

Item	All families 1/	Economic class of farm 2/			
		Small scale and part-time	Small commercial	Medium commercial	Large commercial
		Percent of families having			
Any home-produced food.....	99	100	98	98	99
Pork and pork products....	45	40	53	46	41
Chicken					
Fryers.....	76	64	68	82	76
Other.....	33	28	31	36	35
Beef and veal.....	61	28	54	68	65
Game and fish.....	11	12	7	12	13
Eggs.....	92	92	88	95	93
Milk 3/.....	88	84	90	90	88
Potatoes.....	39	60	47	49	27
Other garden produce.....	63	60	80	70	55
Fruits.....	26	16	24	23	28
Average amount for all families during year					
Pork and pork products (lb.) 4/	152	132	202	154	147
Chicken (lb.) 4/					
Fryers.....	125	73	106	111	140
Other.....	22	14	14	23	26
Beef and veal (lb.) 4/.....	243	71	179	236	278
Game and fish (lb.) 4/.....	4	5/	5/	2	6
Eggs (doz.).....	146	119	112	145	159
Milk (qt.) 3/.....	1,421	1,338	1,508	1,451	1,388
Potatoes (bu.).....	4	5	6	7	2
Average family size 6/.....	3.2	3.1	3.1	3.2	3.5

1/ Includes data for large scale farms and some families with undetermined income not shown separately.

2/ Economic class of farm is based on gross farm income, operator's share. The classes are defined as follows: Residential, under \$200; small scale and part-time, \$200-\$2,499; small commercial, \$2,500-\$4,999; medium commercial, \$5,000-\$9,999; large commercial, \$10,000-\$24,999; large scale, \$25,000 and over.

3/ Includes butter, cream, and cheese converted to their milk equivalent.

4/ Dressed weight.

5/ Not shown because item was reported by too few families to provide a stable average.

6/ Year-equivalent persons in economic family.

If income shrinks, or there are especially heavy demands on income for other purposes such as buying farm machinery or paying for illness, the purchase of house-furnishings for the most part can be delayed. In such emergencies the new family solves its problem in other ways, such as renting furnished accommodations, moving in with parents, and using makeshifts.

Farm families in Montana and the four Kansas counties, like other families all over the country in the past few years, have been filling in with things they

could not buy in the war period. As already pointed out, their incomes for the last few years have been relatively good. Apparently their standards included many furnishing and equipment items that they did not have or wanted to replace. Mail order catalogs, radio, magazines, and other media for disseminating information have done much to standardize our wants for home furnishings and labor saving devices. Prices in 1948-49 were not particularly attractive but the same was true of prices of other items. Consequently with postwar goods on the market and more electrical service, farm families in Montana and the four Kansas counties moved toward their individual goals of having their housefurnishings meet their standards and of getting into step with the technological age.

Furniture and equipment outlays of Montana families in 1949 averaged about \$300. The expenditures of Montana farm families for furnishings and equipment in 1949 were about the same as those of Denver families in 1948 (\$285). Some furniture and equipment prices were lower in 1949 than in 1948. In comparing the purchases of Denver families with those of the farm families, it must be remembered that electricity has been available to city families for many years. Reports of the electrical goods trade show that in many of the more urbanized States the degree of saturation that has been reached for the most popular electrical equipment is relatively high, and that the present trade in these items is largely a replacement business.

Although a comparison of the Montana data can be made with Kansas on only a limited basis, expenditures by Montana families seem to have been lower than those by Kansas families even when price differences are taken into account (table 6). In comparing the Montana and Kansas outlays, we must bear in mind that the rate of electricity installation after World War II was higher in the four counties of Kansas than in Montana, with consequent greater encouragement for equipment buying. Moreover, the dissimilarities shown between the Kansas 1948-49 and the Montana 1949 reports are in line with the general pattern of a lower physical volume of furniture and home equipment sold in 1949 than in 1948.

Table 6.--Expenditures of farm families for housefurnishings and equipment

[Selected types of farm-operator families in Montana, 1949, and four Kansas counties (Edwards, Ford, Gray, and Meade), 1948-49]

Family type and geographic area	Small commercial farms ^{1/}	Medium commercial farms ^{1/}
Husband-wife, with 1 or 2 children under age 14:		
Montana.....	\$297	\$373
Kansas, 4 counties.....	338	425
Husband-wife, with 1 or 2 children, at least 1 age 14-21:		
Montana.....	238	274
Kansas, 4 counties.....	312	378

^{1/} Economic class of farm is based on gross farm income, operator's share. Classes shown are defined as follows: Small commercial, \$2,500-\$4,999; medium commercial, \$5,000-\$9,999.

What did the farm families buy with these relatively large outlays? Labor saving devices, food preservation equipment, household textiles, furniture, floor cover-

ings, glass, china, and silver were all popular. Table 7 shows how the Kansas families of three types divided their furnishings and equipment money. Most of the money went into the labor saving devices, food preservation equipment, and furniture.

Since such a large proportion of the outlays for furnishings and equipment went for equipment, and since so many of the more expensive pieces of equipment are electrically operated, it might be expected that families with electricity would have spent much more than those without. As has been reported, about 78 percent of the Montana farm families surveyed and 85 percent of the selected family types covered in the four Kansas counties had electricity at the end of the respective survey years. Both studies showed a larger average expenditure for furnishings and equipment by those with electricity than by those without.

In 1949 families with electricity in Montana spent an average of \$343 for all housefurnishings and equipment, while those without electricity spent only \$163. This situation is not the result of income differences between families with electricity and those without, as similar differences exist when families living on farms of about the same economic class are compared. Expenditures for housefurnishings and equipment by Montana families with and without electricity were:

<u>Class of farm</u>	<u>With electricity</u>	<u>Without electricity</u>
Small scale and part-time...	\$243	\$54
Small commercial.....	265	148
Medium commercial.....	346	343
Large commercial.....	555	348

This situation suggests the importance of having electricity in improving the farm home. The rapidity with which families buy electrical equipment after they receive electricity is an indication that they are pre-sold on the benefits of labor saving devices and only await electricity.

An inventory was taken of some of the important pieces of household equipment owned by the Kansas farm families. Inventories of families that had electric current by the end of the survey year are shown, in order to give a better picture of the relative frequency of ownership of electrical equipment by those for whom it was practical.

More than 90 percent of the families with electricity owned a mechanical refrigerator, a self-heating hand iron, and a radio. Nearly as many had washing machines. In addition, nearly all the families had either a gas stove or an electric stove. Vacuum cleaners also were popular, with two-thirds to three-fourths of the families of each type having them. Electric toaster and mixers ranked also in the middle group but substantially fewer families owned them than owned vacuum cleaners. Relatively few families had electric sewing machines, electric cook stoves, freezer cabinets, and ironers. (Table 8.)

These proportions, of course, refer only to the families with electric service. As pointed out earlier, some families were still without electricity.

Income showed up as a factor in the possession of items other than refrigerators, irons, and radios. In general, families living on farms of the higher

Table 7.--Purchases of housefurnishings and equipment by farm families

[Selected types of farm-operator families in four Kansas counties, 1948-49]

Family type	Total house-furnishings and equipment	Glass, china, silver	Household textiles	Floor coverings	Furniture	Selected household equipment ^{1/}	Other equipment, furnishings
Percent buying							
Husband-wife, 1 or 2 children under age 14.....	99	45	77	43	46	82	60
Husband-wife, 1 or 2 children at least 1 aged 14-21	97	39	71	30	34	72	45
Husband-wife, husband aged 50 or over	97	27	71	39	31	70	47
Average expenditures for all families							
Husband-wife, 1 or 2 children under age 14.....	\$486	\$12	\$23	\$41	\$108	\$253	\$49
Husband-wife, 1 or 2 children at least 1 aged 14-21.....	389	13	21	40	68	227	18
Husband-wife, husband aged 50 or over	393	12	24	46	81	216	14

^{1/} Refrigerators, cook stoves, power washing machines, self-heating hand irons, ironers, freezer cabinets, pressure canners, pressure saucepans, vacuum cleaners, sewing machines, radios, electric toasters, electric mixers.

Table 8.--Percent of farm families with electricity who had selected home equipment

[Selected types of farm-operator families in four Kansas counties, April 1949]

Item	Husband-wife, 1 or 2 children under age 14	Husband-wife, 1 or 2 children at least 1 aged 14-21	Husband-wife husband aged 50 or over
Mechanical refrigerator.....	97	96	97
Self-heating hand iron.....	98	93	95
Electrical equipment:			
Radio.....	98	93	91
Washing machine.....	91	86	80
Vacuum cleaner.....	73	76	68
Toaster.....	60	59	59
Mixer.....	59	45	39
Sewing machine.....	36	20	13
Cook stove.....	22	19	17
Freezer cabinet.....	11	13	11
Ironer.....	7	5	4

economic classes had more electrical equipment of the various sorts. Alternatives for electric equipment tended to be inversely correlated with class of farm. For example, a larger proportion of low than of high gross-income farm families had nonelectric power washing machines and nonelectric sewing machines. An exception to this was gas cook stoves, which were used by the majority of families; these were owned by a larger proportion of families on medium and large commercial than on small commercial farms.

Of those with electricity, the older couples had less electrical equipment than younger families and as much or more nonelectrical equipment. For example, 76 percent of the couples, with husband age 50 or over, who had electricity were still using their old treadle sewing machines while only 13 percent had electric machines. On the other hand, 36 percent of the families with one or two children under age 14 had electric sewing machines and only 46 percent had treadle machines.

Some of the household equipment that the Kansas families with electricity had at the end of the survey year when we took the inventory, had been purchased by them during the survey year, either as new equipment or as replacements. Heaviest purchasing by the selected family types was in refrigerators, self-heating hand irons, radios and vacuum cleaners (table 9).

Table 9.--Percent of farm families with electricity buying specified items of household equipment

[Selected types of farm-operator families in Montana, 1949, and in four Kansas counties, 1948-49]

Equipment item	Husband-wife, 1 or 2 children under age 14		Husband-wife, 1 or 2 children, at least 1 aged 14-21		Husband-wife husband aged 50 or over	
	Montana	Kansas, 4 counties	Montana	Kansas, 4 counties	Montana	Kansas 4 counties
Mechanical refrigerator..	1/ 14	27	1/ 12	29	1/ 7	24
Self-heating hand iron...	19	24	10	25	7	29
Electrical equipment:						
Radio.....	22	27	17	17	15	24
Washing machine.....	6	18	2	19	5	13
Vacuum cleaner.....	8	31	12	31	8	24
Sewing machine.....	6	16	5	2	2	3
Cook stove.....	10	10	10	12	5	5
Freezer cabinet.....	5	7	10	10	2	7
Ironer.....	2	4	0	2	0	3

1/ Only electric refrigerators are included.

Roughly 25 percent or more of the families studied bought these popular items. Thirteen to 19 percent of the families of three different types bought vacuum cleaners. Five to 12 percent bought electric cook stoves and 7 to 10 percent, freezer cabinets. While 16 percent of the families with 1 or 2 children under age 14 bought electric sewing machines, only 2-3 percent of the older families bought them.

Relatively fewer Montana families with electricity than Kansas families bought the selected equipment items. In Montana only 7 to 14 percent of three selected family types bought refrigerators and 15 to 22 percent bought radios. Self-heating hand irons were also a relatively popular purchase. About as large a proportion of Montana as Kansas families bought electric cook stoves.

We have small amounts of preliminary information about equipment items that were purchased by Denver families in 1948 which indicates that, for these items at least, the level of equipment buying by Denver families resembled that of the Montana families a year later more than it resembled that of the Kansas families in 1948. The proportions of Denver families of two or more persons that bought the selected items in 1948 were as follows: 6/

	<u>Percent buying</u>
Mechanical refrigerator.....	14
Vacuum cleaner.....	14
Freezer cabinet.....	1
Ironer.....	2

Doubtless the more recent installation of electricity in the four Kansas counties and in Montana coupled with their previously low inventories stimulated their buying. Again we see that as the pattern of urban living becomes a possibility to farm families through electricity and improved income, they tend to adopt urban ways of spending.

6/ Unpublished data from the Bureau of Labor Statistics, U. S. Department of Labor.

APPENDIX

The three farm areas for which data are presented in this report have been described briefly on page 1. In this Appendix, more detailed information on these three areas is given for the benefit of those wishing to use the material on farm family spending so that more careful interpretation of the data can be made.

The central segment of information in this report is furnished by Montana farm families. Montana is a relatively high income area. In 1949, it ranked in the top ten States in the country with respect to the cash receipts from farming per farm. 1/ In terms of all the people in the State, rural and urban, Montana had the eighteenth highest per capita income of all the States in 1949; it was fifth from the top in 1948. 2/

The Montana survey covered a cross-section of all types of farm families and all sizes and types of farms in the State. Farmers living off the farm operated as well as those living on their farm were included. Only selected categories of family living expenses were covered. Food, clothing, and housefurnishings and equipment expenditures have been summarized from this report with some detail on food and equipment purchases. A detailed list of clothing was used in requesting information on clothing expenditures during the year for each member of the family. A moderately detailed list of furnishing and equipment items purchased in 1949 was used. For the food expenditures, however, a detailed list of food purchased for use at home during the previous week (spring 1950) was obtained rather than attempting an annual estimate of food expenses. Additional general information was obtained on family and household composition and income of the family.

The Montana families have been classified for this study by their gross cash farm income to give a grouping of the families by the economic class of farm that they operate. The sample included only a few residential farms, that is units with less than \$200 of sales in 1949. At the other extreme, fewer than 5 percent of the families had more than \$25,000 of sales, defined as large-scale farms. About a fifth of the farms were small-scale or part-time units, while two-thirds were commercial farms. 3/ The families had an average gross cash farm income of more than \$7,000.

Wheat and cattle were each reported by about a third of the Montana respondents as their principal source of farm income. The average farm in the sample contained about 1,450 acres. More than 40 percent of the sample farms were irrigated in 1949.

The four Kansas counties surveyed (Edwards, Ford, Gray and Meade) represent a special farming situation. They are specialized winter wheat or areas where wheat

1/ Cash receipts from farming in 1949, by States, from the Farm Income Situation, Bur. Agri. Econ., U. S. Dept. Agri., June 1950, divided by the number of farms from the 1945 Census of Agriculture.

2/ Survey of Current Business, U. S. Dept. Commerce, August 1950.

3/ Small-scale or part-time units are defined as those with \$200-\$2,499 gross cash farm income. Small, medium, and large-commercial farms are defined as having gross cash farm income of \$2,500-\$4,999, \$5,000-\$9,999 and \$10,000-\$24,999 respectively. For tenants the gross cash farm income used here is the operator's share.

is combined with grain sorghum and range livestock. The average farm there contained about a section of land. The average gross cash farm income in the four-county sample was considerably higher in 1948-49 than that of Kansas farmers as a whole. It was also higher than the 1949 average gross farm income of Montana farmers, partly because of the difference in the survey year. The total cash receipts from farming for each of the two States were 12 percent lower in 1949 than in 1948.

On the other hand, the average income of these families from nonfarm sources was higher in Montana than in Kansas in the respective years.

The two Minnesota counties (Meeker and Wright) for which farm family expenditure data are given are dairy-livestock areas. The farms in the sample averaged 133 acres. The farm business as indicated by the gross farm income were much smaller than those in Montana. No large scale farms were found in the sample. As in Montana and Kansas, more than two-thirds of the farms were commercial farms, but they were nearly all small and medium commercial farms. Thus the gross farm income level in 1949 was lower in the Minnesota counties than in Montana in 1949 or in the four Kansas counties in 1948-49. In addition, the gross-net relationship is different for wheat or range livestock enterprises than on dairy farms where production costs take a larger share of the gross. Income from nonfarm sources was much lower there than in Montana.

Only selected family types were included in both the Minnesota food and clothing surveys and in the Kansas 4-county survey.

Of the three survey areas, Montana is by far the most rural. It has no metropolitan areas and it has only 4 cities with more than 20,000 population. ^{4/} There are no large cities close to the periphery of the State. In contrast, Meeker and Wright Counties in Minnesota are about three hours drive from Minneapolis-St. Paul. The four counties visited in Kansas contain no large cities (Dodge City is the largest with about 11,000 population), but they are within a few hours travel of Wichita with 166,000 population.

Population density figures also support the idea that a much more rural situation obtains in Montana in 1950 than in the other two survey areas. While Montana has only 4 persons per square mile, density for the four Kansas counties ranges from 6 to 18 persons and for Meeker and Wright counties is as much as 31 and 41 persons per square mile. On the other hand, the Montana survey covered farm operator families that lived in incorporated places, while the Kansas and the Minnesota surveys of selected counties covered only rural farm families.

Community facilities available, especially electricity, also affect family spending. The spread of electrification in recent years has been an impetus toward higher farm family spending. At the time of the surveys in Kansas and Montana, considerable progress had been made toward the goals of getting electricity to every

^{4/} Population estimates used in this and the next paragraph are preliminary counts from the 1950 Census of Population.

farm family. In Montana, 78 percent of the farms surveyed had electricity on June 30, 1950.

In the four Kansas counties, 85 percent of the families visited had electricity in their homes. This proportion is decidedly above the State average. The Rural Electrification Administration reports as of June 30, 1949 that 61 percent of Kansas farms were receiving service from central plants. ^{5/} In 1945, about the same proportion of farms in the two areas had central station electric service. Since the end of World War II, the rate at which farm dwellings in these four counties were electrified exceeded greatly the rate for Montana.

The status of electrification in the two Minnesota counties in 1949 is not known, but in 1945 about 60 percent had electricity. This was a higher proportion than in Montana and the four Kansas counties that year.

Level of living indexes for farm-operator families in 1945 provide a basis for orienting these three farm areas in the total United States farm picture. ^{6/} These indexes are based on farm families having automobiles, those having electricity, telephone in the farm dwelling and the amount of their gross farm income. Farm operators in Montana had slightly higher index position (107) than the United States average (100). The Montana average was higher than the average for the South (66), but it was lower than the average for the Mountain States (113) and for each of the other major geographic regions outside the South.

The indexes for the Minnesota counties were only a little higher than the average for Minnesota or the average for the West North Central States (Wright 130, Meeker 142, Minnesota 130, West North Central States 125). The indexes for the four Kansas counties covered ranged from 158 to 170, which was considerably above the average for the West North Central States and the average for Kansas as a whole (135).

^{5/} A year later, June 30, 1950, the proportion for the State was 74 percent.
^{6/} Margaret Jarmon Hagood, Farm Operator Family Level of Living Indexes for Counties of the United States, 1940 and 1945, Bur. Agri. Econ. U. S. Department of Agriculture, Washington, D. C., May 1947.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

SUPPLIES OF CONSUMER GOODS

Summary of address by Louis J. Paradiso, Chief Statistician,
Office of Business Economics, U. S. Department of Commerce,
at the 28th Annual Agricultural Outlook Conference, Washington,
D. C., October 31, 1950.

Amounts of consumer goods that Americans will have available to them and prices they will be forced to pay for these goods in 1951 will depend on several factors.--namely, total supply, military demands, the nature and volume of consumer demand, and business expansion demands for capital goods.

It is highly probable that in 1951 expansion of total output will exceed the average annual gain of three percent. It is estimated that the production rise will be five percent in 1951. With some plants already at capacity this rise will not be sufficient to meet civil, military and business demands.

Two approaches have been made by the Government to reduce the present high utilization of resources by consumers. They are increased taxes and imposition of selective controls on consumer and housing credit. This major problem of channeling some resources away from some consumer areas may be more than offset by high farm income and wage increases resulting from longer hours and profits by unincorporated businesses.

With military procurement scheduled to be more than 15 billion over the current rate--this is just about equal to the total expected increase in output. More demand means a trend toward longer hours and this trend will continue in 1951.

Expansion in income will originate principally from stepped-up production of defense goods and business expansion. Since these goods do not enter into the consumption stream, there will be no additional consumer goods supplies commensurate to the added purchasing power.

Supplies of consumer goods other than the hard metal products are likely to be maintained at the current high levels. However, increase in purchasing by Government and business will originate additional spendable income by consumers over current rates.

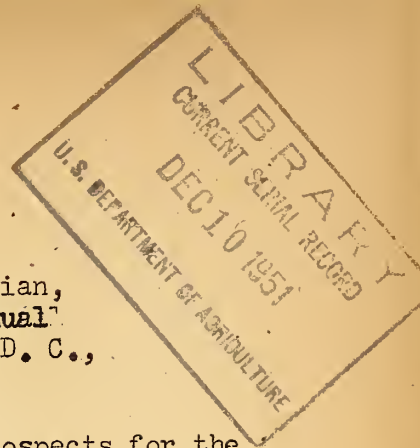
As the defense program is accelerated the pressure of demand on available supplies will continue strong and may require additional control measures if we are to prevent inflationary price movements next year.

Momentum of the defense program may cause certain consumer goods shortages. If the purchasing power is greater than available civilian consumer goods, the problem can only be solved by greater producing capacity, increased tax rates, and inducement of the buying consumer to save.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

SUPPLY OF CONSUMER GOODS

Address by Louis J. Paradiso, Chief Statistician,
Office of Business Economics, at the 28th Annual
Agricultural Outlook Conference, Washington, D. C.,
October 31, 1950.



My discussion will be concerned primarily with the prospects for the overall supply of consumer goods in 1951 and the related economic problems, together with a brief appraisal of the supply outlook for each of the major consumer goods.

The question of the supplies of consumer goods which are likely to be available in the coming year must be considered in relation to: (1) the total supplies of all goods and services; (2) the military take of the national output; (3) the volume of business demand for capital goods; and (4) the nature and volume of consumer demand for goods and services.

Obviously, if the military slice of the national product--which was about 6 percent before the Korean incident--should be enlarged to 10 percent or more, the overall output of civilian goods will be curtailed to the extent that expansion in national production fails to match the additional military procurement. If business outlays for plant, equipment, and inventories should remain the same or rise, the consumer sector--including goods and services and residential houses--would have to bear the brunt of whatever cuts would be necessary as a result of expanding defense procurement. Moreover, if a significant number of consumers are limited in their purchasing through credit restrictions, or by a reduction in incomes available for spending, the supply of some goods will be curtailed eventually to match the current demand, since for many items business gears output to anticipated demands. Hence, for such goods the forthcoming supplies would be dependent wholly or in part upon a number of demand factors including the prices of such goods, the disposable income, the volume of personal liquid assets holdings, and the liquidity preference of individuals.

During the past 60 years, total physical production in the United States has increased at an average rate of 3 percent per year. At times such as in 1921, in the last great depression, and in 1937-1938, output has deviated substantially from this long-term growth, but after each depressed period production has come back again in line with the long-term upward trend.

It is highly probable that in 1951 expansion in total output will exceed the annual average gain of 3 percent. Recently the average number of hours worked per week has been increasing, and with enlarged total demand the trend toward longer hours will continue in 1951. The substantial plant and equipment expansion program, which industry is now undertaking, should provide the basis next year for increasing the supplies of raw materials and for the attainment of a higher productivity. The iron and steel industry, for example, has announced an expansion program which, if carried through, would provide additional ingot capacity of 4 percent above the current annual

rate by the end of 1951. Other industries are expanding similarly. Accordingly, total national production may rise by about 5 percent in 1951 over the current rate. It is doubtful that the rise would materially exceed 5 percent since many of the major industries are already at capacity operations, and further production gains by such industries would depend on the volume of new facilities which can be constructed and put into operation next year. Such an expansion in total output would probably not be sufficient to meet the rising demands of government, business, and consumers.

A definitive schedule of defense procurement for 1951 is not yet available in sufficient detail for appraising its impact on the civilian economy. Some guide is available, however, by assuming the President's estimate of an annual rate of \$30 billion in defense spending by June 1951, and an acceleration of this rate in the second half of the year. For calendar 1951, defense expenditures are assumed to be somewhat in excess of \$30 billion, or more than \$15 billion over the current rate. On the other hand, Federal non-defense and State and local purchases of goods and services will be reduced moderately in 1951, particularly nonmilitary public construction and economic aid under the Marshall Plan. Thus, we shall assume that the increase in total government purchases of goods and services to be about \$15 billion in calendar 1951 over the current rate. This figure is likely to be conservative.

Additional government purchases of this magnitude would be equivalent to about the expansion expected in total output in 1951 over the current rate. Consequently, for 1951 as a whole, the supplies of goods and services available for civilian use would be close to the current rate, and somewhat lower in the second half of the year.

Since the supplies of goods available for consumers and producers may not exceed the current rate in 1951, the amount of goods available for consumers will depend to a considerable degree on the volume of business purchases of fixed capital goods and for inventory purposes. Business has many incentives to expand its purchases of capital goods. New defense supporting industrial facilities will be needed, and these will be given high priority by the government. They would include, in addition to the new facilities required to produce military items, such defense supporting programs as the expansion of steel capacity, and additional railroad equipment, public utilities facilities, oil and gas pipelines, and electrical equipment. Because prospective civilian demands appear to be strong and industry profits are at peak rates, producers in many industries will attempt to add to existing capacity so as to be able to maintain the current high rate of production of civilian goods while at the same time fill defense orders. In addition, high wage rates provide powerful incentives to reduce costs with the use of new and more efficient equipment.

Evidence of this trend of expansion in the capital investment programs of business is available in the reports sent to the Commerce Department and the Securities and Exchange Commission in the period between mid-July and mid-August. These reports indicate that businessmen revised upward their capital investment programs from what they had planned before the Korean war.

It is not expected that increased investment will take place throughout all business sectors in 1951. In fact, capital expansion in certain broad

areas may be curtailed. In the over-all, however, the building of new plant and equipment facilities will comprise a rising segment next year.

Thus, in view of rising defense procurement and the need for additional industrial facilities, a major problem with which we are faced is that of channeling materials and other resources away from certain consumer sectors.

Two approaches have been taken by the government to reduce the present high utilization of resources in the consumer segment. These include increased tax rates and the imposition of selective controls on consumer and housing credit. Higher tax rates which will raise an additional \$3.5 billion per year from individuals went into effect on October 1. Thus, some additional purchasing power is being siphoned off, thereby reducing the pressure of demand on consumer goods. However, in view of the size of the defense program now in prospect, this increase in taxes does not appear to be sufficient to produce a balance between prospective consumer demand and supply. Furthermore, wage rate increases which are being granted by industry, plus an increasing work week resulting in overtime pay, together with rising employment, will lift wage and salary payments. These rising earnings, together with higher incomes of farmers and unincorporated businesses, are likely to more than offset the effect of the higher tax rates, and, unless additional purchasing power is drawn off by further tax increases, consumer demand pressures will continue strong.

The other method the government is using to channel resources to defense and other essential needs is the tightening of credit terms on new houses and other goods purchased on time by consumers. Although no precise calculation can be made of the effect of the new housing credit restrictions, nonfarm housing starts will undoubtedly be substantially lower in 1951 than the 1,300,000 estimated starts in 1950 -- by perhaps as much as one-quarter to one-third. Such a reduction will free substantial amounts of steel, copper, lumber and other materials needed for the defense and related programs, while at the same time halt or even reverse the inflationary price increases which have prevailed this year in building materials.

The recently announced restrictions on consumer credit will also result in some curtailment in consumer durable goods purchases, particularly automobiles. The cuts are not likely to be too severe, however, since many persons have large holdings of liquid assets which can be drawn upon to meet the larger down payments required under the new regulations. Personal liquid assets holdings (exclusive of trust funds and unincorporated businesses) amount to about \$150 billion at the present time. While much of these holdings are concentrated in high income groups, nevertheless some holdings of government bonds and bank deposits exist in each of the lower income classes, and individuals can use these assets if they so choose for the purchase of goods. It is important to note, however, that as the defense program gains momentum, the more important limitation on the supply of many consumer hard goods, in the longer run, will be the lack of productive facilities and of the basic raw materials needed to produce them at the current high rates, rather than the government action to reduce demand.

Personal consumption expenditures in the final quarter of this year are estimated at an annual rate of over \$195 billion, of which about \$135 billion will be for goods and \$60 billion for services. The total reflects a rise of

about 7 percent from the second quarter rate, prior to the Korean war, half of which is attributable to higher prices. The rise is featured by heavy purchasing of consumer durables, such as automobiles and electrical appliances, while the increase in dollar purchases of nondurables, such as food and clothing, reflects to a greater extent the higher prices for these items. In relation to the high demand, supplies of many commodities have not been plentiful, even though production has been at peak levels; this relative shortage has in part accounted for the rise in prices in the last three months. During the buying wave of July and early August certain items were extremely hard to get or temporarily unavailable in certain localities. These included such goods as sugar, hosiery, rubber tires, automobiles, and canned goods. Even after the let-down in the buying wave, demand continued strong in September and October.

The principal determinant of consumer expenditures is the disposable income of individuals -- that is, the total income received less personal taxes. Currently, the annual rate of disposable income is in excess of \$200 billion, which is a record high. Furthermore, with all types of incomes due to rise in 1951, the disposable income will be substantially above the current rate, on the basis of present tax rates on personal incomes. The expansion in income will originate principally from the stepped-up production of defense goods and business expansion of plant and equipment. Since these goods do not enter into the consumption stream, there would be no additional consumer goods supplies commensurate to the added purchasing power. Thus, the total personal income available for spending will be far in excess of the value of consumer goods output at current prices than would normally be the case. There are three ways in which the gap thus created can be closed other than through a rise in prices: (1) by increasing the output of consumer goods with the use of more efficient equipment and through higher labor productivity; (2) by taxing away the excess purchasing power; and (3) by inducing a greater propensity to save on the part of individuals.

The first way, expanding capacity to produce consumer goods, as already indicated, is limited. Tax rates have been increased and further consideration will be given to this approach. The third method will become important as the defense program expands. A major question will be: Will consumers attempt to increase their purchases in line with their expanding incomes, or will they modify their normal consumption behavior by increasing their propensity to save?

As indicated previously, in view of the prospect of a sizable curtailment in the supply of many consumer durables next year, and with the prospects of a larger purchasing power than the current rate, consumer buying is likely to spill-over into the nondurable goods sector, including services. There is some evidence in the postwar period of a similar type of consumer behavior. From 1947 to the first half of this year, total consumer purchases have held to a fairly fixed relation to consumer incomes, namely, an increase of \$10 billion in the disposable personal income was accompanied on the average by an increase of about \$8 billion in personal consumption expenditures. This was similar to the relation which prevailed in the prewar years, except that in the postwar years expenditures were at a somewhat higher level than the prewar relation would indicate for the same level of disposable income. In other words, the propensity of consumers to save was somewhat smaller in the postwar years than in the prewar period. The fact is, however, that variations in the supplies of durable goods in relation to the nondurables resulted in a shift in consumer spending from one category to the other but not in the total consumer purchases in relation to changes in income.

There are two periods in the postwar years which provide some guide to the consumer behavior in respect to durable and nondurable goods purchases. In 1947 and early 1948, consumer durables were in relatively short supply and there was some spill-over of purchasing into the nondurable goods area; as a consequence, purchases of nondurables were lifted to a higher than normal level, using the prewar behavior in relation to incomes as a gauge. On the other hand, during the recession of late 1948 and the first half of 1949, the supply of consumer durables was expanded and consumers increased their purchases of these items, but in so doing they curtailed to a moderate degree the purchases of nondurables in this period. This experience indicates that, while the total consumer expenditure level conformed to its usual relation to income, significant shifts occurred in the pattern of purchasing as between durable and nondurable goods.

On the assumption that we will not be in an all-out war effort next year, there is no reason to believe that the incentives to save will be any greater than they have been since the Korean invasion. It is likely that, in 1951, the total dollar expenditures by consumers for goods and services will conform with their higher incomes, as was the pattern in the other postwar years since 1946. Thus, an abnormal increase in demand for nondurables can be expected as a result of a shift of purchasing from the curtailed durable goods sector. It is doubtful that the overall supplies of nondurables can be significantly expanded in 1951 over the current rate, in view of the growing tightness in raw material supplies and the increasing manpower and other resources required for the defense effort. Thus, price pressures in 1951 will continue strong in this area, although some attempt may be made to soak up the excess purchasing power which will press on these goods by producers cutting down on low-price lines and by consumers uptrading as they did during the last war.

In summary, three conclusions can be drawn from this analysis:

- (1) Production of consumer durable goods, including automobiles, furniture, and electrical appliances, will be curtailed substantially below current rates sometime in the first half of 1951. We should keep in mind that, while the armed services are placing a huge volume of orders with business, the impact of such ordering on the civilian economy will not be felt appreciably until early next year;
- (2) supplies of some nondurables, such as certain types of clothing and textiles, may be relatively short during the year when the higher purchasing power is diverted to these segments; and
- (3) the magnitude of the civilian and government demands will continue to exert strong upward pressures on prices.

The government has already taken important steps to control the developing situation by increasing tax rates, by the use of selective controls on consumer and housing credit, by limiting inventory accumulation of basic materials, and by restricting the use of certain materials in production, such as in the case of natural rubber. Present tax rates are likely to be raised by the next Congress. An Economic Stabilization Agency has been set up and is being organized to cope with the problem of inflation. We do not as yet know whether these measures and actions yet to be taken short of general price and wage controls will be adequate to stabilize prices and channel materials for the defense effort, but they are contributing significantly in that direction.

I shall now turn to a brief discussion of the supply prospects of certain major consumer goods.

Consumer durables. Three factors will influence the 1951 prospective supplies of the major consumer durables, namely, the income expectations, the effect of credit restrictions, and the defense materials requirements. In the third quarter of this year consumer durables were being purchased at abnormally high levels in terms of existing prices and available purchasing power. This reflects anticipatory buying and in addition, in the case of electrical appliances and furniture, the peak rate of sales of new houses. It is not possible to predict with any degree of accuracy the likely supplies of these items in 1951 since the economic situation is so fluid and there are many imponderables. I shall try to indicate the general direction of the changes which appear reasonable in the light of a \$30 billion defense program in 1951.

Automobiles. Sales of passenger cars in the third quarter of this year were at an annual rate of 7.5 million, with total production for 1950 estimated at 6.5 million. This compares with a calculated demand in terms of the 1950 disposable income, car prices and other prices of about 5.5 million, assuming conditions of normal demand and supply. The new credit terms requiring one-third down and payment of the balance in 15 months would cut this overbuying somewhat. The credit terms, however, will not be the controlling factor in automobile supply and demand situation in 1951. As the defense program gains momentum next year, the materials used by the automobile industry will be required to an increasing degree for the production of military items. Thus, the industry's output of passenger cars is likely to be cut substantially in 1951, principally as a result of materials shortages, particularly steel, and the need to channel the basic materials used by the industry into defense production. However, with incomes higher, the industry will be able to sell all of its output of cars in 1951 despite the stiffer credit terms and higher taxes.

Electrical appliances. All the major electrical appliances were being bought at an abnormally high rate in the third quarter of this year in relation to purchasing power and prices -- ranging from an excess over the normal demand, calculated from the 1950 levels of purchasing power and prices, of 25 percent for vacuum cleaners to over 50 percent for electric ranges. As in the case of cars, this heavy buying partly reflects anticipatory actions, but also to a large degree the boom in sales of houses. The new consumer credit restrictions will have a smaller impact on these items than on automobiles, since the dollar outlays involved in their purchases are relatively smaller. However, the new credit restrictions on new houses, materially reducing their sales as previously indicated, will affect the purchases of electrical appliances correspondingly. Furthermore, producers of these goods will divert some of their activities to defense production and will cut their output for civilian use. It is difficult to quantify the effect of these various factors in 1951, but substantial cuts will be made in supplies from the current high volumes, with differences among the items in the amount of curtailment depending on the nature and amount of defense orders placed with the industry. For these items also, the demand will be great enough to absorb the entire output.

Furniture. Sales of furniture goods are related directly to incomes, prices, and the volume of sales of residential houses. Sales in recent months have been high, consistent with the levels of these demand factors. The credit restrictions are likely to have only a small overall effect. In fact, the supplies of such goods may be well maintained next year, in view of the wide possibilities in this industry for the use of substitute materials and for shifting price lines. Some curtailment in demand for furniture will result from reduced purchases of new houses, but this is likely to be offset by the increase in demand due to higher purchasing power.

Clothing and household textiles. The limiting factor governing the supply of clothing and textiles next year will be the availability of the raw materials -- cotton, wool, and rayon.

As a result of the relatively short crop this year compared with 1949 and the somewhat higher mill consumption, the carryover of cotton may be reduced to between 3 and 4 million bales by next August from the almost 7 million bales in August of this year. Even this relatively small prospective volume of carryover will depend on our cutting exports by at least one-half from the total in the fiscal year 1950. Such a carryover does not represent a comfortable margin over normal inventory requirements and, until the 1951 cotton crop is available, the supply position of cotton is likely to be tight. No overall shortages of supplies of cotton textiles and apparel items are likely since, if necessary, producers will be able to provide more items of apparel with a given input of materials by modifying styles and by other materials saving devices.

Domestic raw wool supplies have been trending downward for a number of years, and we have had to rely to an increasing extent on foreign sources of supply. Even with the prospects of increasing imports, the supply-demand situation for wool is likely to be very tight in 1951 although, as in the case of cotton goods, supplies of woolen clothing in terms of units are not likely to be curtailed. If a significant shift should occur from the hard goods to clothing, the price pressures would continue strong in 1951.

The rayon industry has been operating at virtual capacity throughout the year. Production and sales have been almost equivalent. Some higher output is likely next year with more capacity becoming available. However, a shift in demand to the soft goods would result in a tight situation with respect to rayon goods.

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Summarizing briefly: Supplies of consumer goods other than the hard metal products are likely to be maintained at the current high levels. However, the increase in purchasing by government and business will originate additional spendable income by consumers over the current rates. The government has taken some measures to limit the expansionary forces in the consumer sector. As the defense program is accelerated, the pressure of demand on available supplies will continue strong and may require additional control measures if we are to prevent inflationary price movements next year.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Research Administration
Bureau of Human Nutrition and Home Economics

SITUATION AND OUTLOOK FOR CONSUMER GOODS

Housing

Talk by Lucile W. Reynolds, Family Economics Division, at the
28th Annual Agricultural Outlook Conference, Washington, D. C.
November 1, 1950

This summary of important developments in housing and related fields during the last year is presented in three sections. The first is concerned with the supply, production, and prices of construction materials during the year, wage rates, construction costs, and new housing starts. The last item is for nonfarm housing only since there are no similar data for new housing starts in farm areas. This is followed by a brief summary of the restrictions on credit for residential real estate construction under authority of the Defense Production Act of 1950. The third section is concerned with recent progress in farmhouse improvement.

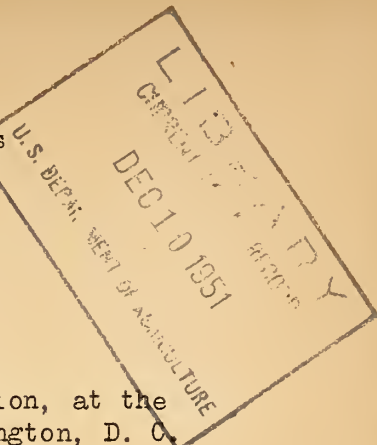
The supply and production situation

Building supplies.---A tight supply situation for several building materials has existed during the first 8 months of 1950 and is likely to continue until the seasonal down-turn in construction activity. The output of building materials during August of this year set a new all-time record for most materials. In that month the U.S. Department of Commerce Composite Index of building materials production advanced to 192 (1939 average = 100). This was 15 percent higher than it was in May 1950 and 29 percent higher than in September 1949, the peak month for that year. Increases were recorded for all but 5 of the 20 items included in the index.

The shortages of several items that have appeared thus far in 1950--including gypsum products, cement, hardwood flooring, brick, lumber, and steel products--have not been due generally to a lack of productive capacity but to several other factors. One important reason is that the record volume of home building in 1950 was not fully anticipated.

Production of several of the building materials could have been increased more rapidly during the early months of the year if the demand had been fully foreseen. Distribution problems, including a shortage of railroad cars, have been responsible for some local shortages of building materials. Work stoppages, especially in cement plants, have cut production at a crucial time.

Lumber has been in short supply during much of 1950 in many areas of the country. Unfavorable logging weather in the northwest during the first quarter of the year and transportation and distribution problems have all



contributed to this situation. On an over-all basis for the year it appears that supplies of lumber will be adequate. It is expected that the total supply this year will reach nearly 42 billion board feet, breaking all records since 1916.

Although some spot shortages of cast iron soil pipe have been reported, it is estimated that the over-all supply will be adequate to meet anticipated demands for the remainder of 1950.

Prices of building materials and structural equipment.--After remaining practically unchanged during the last half of 1949, prices of building materials advanced during the first 9 months of 1950. Increases were most marked in lumber but occurred also in paint and paint materials, and in plumbing and heating, while prices of brick and tile and cement showed little change.

As indicated in the 1951 Chart Book (chart 9, page 22) the Bureau of Agricultural Economics Index of Prices Paid by Farmers for house building materials stood at 223 in June 1950, an increase of approximately 4 percent over what it was in March 1950.

The Bureau of Labor Statistics Index of Wholesale Prices of Building Materials showed a similar trend. By June 1950 that index was also 4 percent higher than it was in March 1950. The price rise continued during the summer months and by September 1950 the index stood at 220, an increase of 13 percent above that for March 1950, 16 percent above that for September 1949, and 7 percent above the previous record high point reached in September 1948.

The advance in lumber prices was chiefly responsible for this rise. As of August 1950 the index for lumber was at the highest level in the history of the index. It was 27 percent above that for September 1949 and 12 percent above that for September 1948.

Wage rates and labor costs.--Information as to union wage rates of workers in building construction is available for nonfarm areas only. A recent survey by the Bureau of Labor Statistics of seven key trades in 85 cities revealed that as of July 3, 1950, the average hourly pay rate for union workers in building construction was \$2.27. The wage rate was 3 percent higher on July 3 than it was in January 1950, 6 months previous. Between January 1 and July 1, 1949, there was a 2 percent rise; for the same period in 1948 there was a 7 percent rise. Between July 1939 and July 1950 the average hourly pay rate for union workers in the building trades rose 77 percent.

Construction costs.--Construction costs have been rising rapidly during the last few months as pressure of demand on supplies of materials resulted in higher prices and the building trades won widespread wage increases. Costs are now at a higher level than in September 1948 when the immediate postwar peak was reached.

The E. H. Boeckh Index of Construction Costs for Private Residences (20-city average) rose to 228 in August 1950. ^{1/} This is 12 percent higher than it was in August 1949 and 4 percent higher than in September 1948.

New housing starts in nonfarm areas.--A total of 1,106,000 new permanent nonfarm dwelling units were started during the first 9 months of 1950. This was more than the total for all of 1949, which was a record home-building year. Of every 100 dwelling units of all types started during the first 9 months of 1950, 2 were public housing, 98 were private dwelling units.

A significant factor in the expansion of house construction in 1950 was the increased number of permit authorizations for single-family homes. Of every 100 dwelling units put under construction in the first 6 months of 1950, 83 were single-family units as compared with 77 of every 100 for a comparable period in 1949.

Restrictions on credit for residential real estate construction

Further housing credit restrictions announced.--The August 1950 issue of Rural Family Living presented a brief report of the credit restrictions imposed by Government agencies concerned with the extension of credit or the insurance of housing loans in response to President Truman's executive order of July 18. On October 10, 1950, further restrictions were announced on credit for residential real estate construction under authority of the Defense Production Act of 1950 and the President's executive order of September 9, 1950. The restrictions apply to non-Government-aided private credit, Government-aided loans, and direct Government veteran and farm loans on one- and two-family houses.

These restrictions are designed to reduce the current serious inflationary pressures in housing and to cut back home building in 1951 to a level which can be met with the materials and labor available after defense requirements are filled. Current estimates place this 1951 volume at at least one-third fewer homes than are being built in 1950, or not more than 850,000 dwelling units.

What is covered

Loans for more than \$2,500, with more than 18 months' maturity, on all one- and two-family-unit housing, except for (a) loans on which written commitments were made before the effective date of the regulation, (b) conventional loans on housing construction started before noon of August 3, 1950, and (c) certain hardship and special exemptions. The regulations specify maximum amounts which can be borrowed and maximum maturities and minimum amortization requirements for extensions of credit on residential construction, including the financing of major additions and improvements where the loan amount is more than \$2,500.

^{1/} Basic list of items covered includes current local prices for common brick, common lumber, cement, structural steel, common labor, brick masons, carpenters, structural iron workers, plasterers, and miscellaneous. The last group includes many specialized items.

Maximum maturities

Maturities on mortgage loans are limited to terms of 20 years, except for housing priced at \$7,000 or less, for which loans may run for 25 years.

Types of restrictions

The principal restriction is for a minimum, non-borrowed, cash down payment based on the transaction price of the property (that is, total price, or cost, except prepaid items such as insurance). The cash down payment may not be borrowed from any source, except for loans against equities in life insurance policies. The amount of non-borrowed cash down payment required is on a sliding scale, increasing as the transaction price rises. The regulation also calls for certain minimum amortization requirements.

Credit preferences for veterans

For real estate loans made to or insured for a veteran by the Veterans Administration or the Department of Agriculture, the minimum down payment requirement is less, and the maximum loan is more, than the basic minimum down payment and maximum loan requirements for nonveterans.

Who administers the regulations

The Federal Housing Administration, the Veterans Administration, and the U.S. Department of Agriculture, respectively, are responsible for administering the credit restrictions as they have been made applicable to loans insured, guaranteed, or made by those agencies. Credit restrictions on housing loans not insured, guaranteed, or extended by Government agencies are covered under Regulation X issued by the Board of Governors of the Federal Reserve System. That Board is responsible for administering this regulation.

Credit controls on farm housing loans.--Following the announcement of restrictions on residential real estate construction credit, under authority of the Defense Production Act of 1950, the Department of Agriculture on October 12 issued new instructions to field offices of the Farmers Home Administration for processing housing loans under the new regulations. As was indicated in the August 1950 issue of Rural Family Living, certain restrictions were imposed on loans made by this agency for the construction and repair of farmhouses and other farm buildings, following President Truman's directive of July 18. Further restrictions were announced in the October 12 release. From now on, if the credit needed for constructing or repairing a farmhouse exceeds \$2,500, a loan may not be made for the full amount and the maximum repayment period will be shortened. Loan limits will be based on a percentage of the estimated cost of the proposed construction.

In considering applicants for loans from the Farm Housing Administration veterans are given preference. Thus the maximum loan to an applicant with a veteran's preference, who plans to construct or repair a dwelling to cost more than \$2,500 but less than \$5,000, is 95 percent of the estimated cost. The maximum loan to an applicant without a veteran's preference who plans to build or repair a dwelling in this cost range is 90 percent of the estimated cost.

Maximum maturity periods on credit in excess of \$2,500 for farmhouses will be shortened. Loans between \$2,500 and \$7,000 will be repayable in a maximum of 25 years, and loans for more than \$7,000 in 20 years. The previous limit was 33 years.

Regulations restricting Government advances and Government insurance of private lenders' advances for farm housing purposes in connection with farm-purchase and farm-development loans under the Bankhead-Jones Farm Tenant Act of 1937 are now being prepared and will be announced shortly.

Recent progress in farmhouse improvement

Progress in electrification of farms.--As our readers know from reports in previous years, the Chart Book of Bureau of Human Nutrition and Home Economics has to go to press before the figures on the percentage of farms electrified as of June 30 of the current year have been compiled. The text for the housing section in the current issue of the Chart Book (pages 62, 63) went to press a little later than the charts themselves. In the meantime the Rural Electrification Administration had released some over-all figures as to the number of farm consumers they had added to their lines during the fiscal year ending June 30, 1950. This information is given on page 62 of the Chart Book.

Eighty-six percent of United States farms had central station electric service as of June 30, 1950. This is an increase of more than 10 percent during the last 12-month period. As of this date (June 30, 1950) there were only 5 States in which from 33 to 44 percent of the farms were without electricity.

As of June 30, 1950, there were 18 States in which 95 percent or more of the farms had central station service, and no States in which more than half of the farms were lacking this modern facility.

About 800,000 farms, mainly in areas most difficult to reach, are still without electric service. In addition to these unserved farms, the REA points out that there are hundreds of thousands of unelectrified nonfarm dwellings, crossroads businesses, schools, churches, and other rural establishments, which are not included in their survey.

United States Department of Agriculture
Agricultural Research Administration
Bureau of Human Nutrition and Home Economics
Washington, D. C.

Farms Without Electricity
Percent, by State, 1950 ^{1/}

State	Percent of farms lacking electricity	State	Percent of farms lacking electricity	State	Percent of farms lacking electricity	State	Percent of farms lacking electricity
25-49.9% lacking electricity.....		10-24.9% lacking electricity		5-9.9% lacking electricity		Less than 5% lacking electricity	
North Dakota.....	44.4	Missouri	23.7	Arizona	9.9	Iowa	4.5
Mississippi.....	42.3	Wyoming	22.2	Virginia	9.0	Georgia	4.3
South Dakota.....	39.9	Kentucky	22.0	Colorado	8.5	New York	4.3
New Mexico.....	34.6	Maine	21.5	Wisconsin	6.7	Delaware	4.0
Nevada.....	32.8	West Virginia	21.0	Pennsylvania	5.4	New Hampshire	3.4
Oklahoma.....	32.3	Utah	18.4			Illinois	2.8
Montana.....	28.3	Tennessee	17.7			Maryland	2.8
Nebraska.....	26.9	Arkansas	17.4			Massachusetts	2.3
Kansas.....	25.8	Florida	16.8			Washington	1.6
		Louisiana	15.1			California	1.5
		Vermont	13.8			Idaho	1.1
		South Carolina	13.7			Indiana	1.1
		Texas	13.1			Michigan	.9
		Minnesota	12.2			New Jersey	.6
		Alabama	11.5			Oregon	.5
		North Carolina	11.4			Ohio	.4
						Connecticut	.1
						Rhode Island	.1

^{1/} Based on number of farms January 1, 1945, and number lacking central station electric service June 30, 1950.

Source: Rural Electrification Administration.

A progress report on the REA telephone loan program.--As Chart 33 in the Chart Book and the accompanying table indicate, only 42 percent of the farms in the United States had telephones on December 1948. Public Law 423 which was signed by the President just a year ago (October 28, 1949) empowered the REA administrator to make self-liquidating loans for the extension of telephone service in rural areas. 2/

For the first year an appropriation of \$25,000,000 was authorized by the Congress to execute this law. The Appropriation Act of 1951 provided additional loan funds for this purpose.

Distribution of loan application forms began in December 1949. By July 31, 1950, loan allocations had been made to 19 applicants, 3 of which were cooperatives and 16 were commercial companies. These 19 borrowers will serve 19,843 subscribers, more than 7,000 of whom already have telephone service and 12,500 of whom are to have it for the first time. A total of \$4,086,500 have been allocated to these 19 applicants. Some time may elapse, however, between the date when funds are allocated to an applicant and the date when the loan contract is signed.

The first telephone loan contract under the REA program was signed by Fredericksburg and Wilderness Telephone Company, Chancellor, Virginia, August 12, 1950. A month later, on September 20, this company placed its modernized, expanded telephone system in operation and the first rural telephone facilities under this program went into service.

In addition to the 19 applicants to whom loan allocations had been made by July 31, there were 471 applications on file on that date, distributed over 42 States. Alabama, Georgia, Kansas, Kentucky, Minnesota, Missouri, Nebraska, Oklahoma, Tennessee, Texas, and Wisconsin had each filed 15 or more applications.

The farm housing program under Title V of the Housing Act of 1949.--It will be recalled that Title V of the Housing Act of 1949 authorized the Secretary of Agriculture through the Farmers Home Administration to make loans to finance safe and sanitary housing and other needed farm-building improvements. 3/

The funds were appropriated and the program got under way in November 1949. By June 30, 1950, the end of the fiscal year, loans had been made for new dwellings on 2,167 farms. A total of \$11,648,400 had been loaned, an average of \$5,373 per farm, for new dwelling construction. In all, \$18,055,923 was loaned, most of the balance for repairs and improvements to dwellings on 1,568 farms and construction or repairs on other farm buildings for 2,404 farm families. These are amortized loans and may run for 33 years with 4 percent interest on the unpaid balance.

2/ Rural Family Living, February 1950, page 14.

3/ Rural Family Living, July 22, 1949, page 14.

These loans have been made for the construction and repair of farmhouses and other farm buildings to farmers who could not obtain credit from other sources. Following are the number of farms in each of the four regions and in Puerto Rico that have obtained loans for new dwellings:

<u>Region</u>	<u>Number of farms</u>
Northwest.....	29
North Central.....	291
South.....	1,445
West.....	341
Puerto Rico.....	61

A significant feature of this program is that the house to be built under the provisions of Title V must meet certain minimum standards. These standards have been set forth in Farmers Home Administration (FHA) Instruction 424.11. They provide that "all new buildings and repairs financed with Farm Housing assistance will be substantially constructed and in accordance with approved building plans and specifications." The basic plans and specifications for new houses to be built under this loan program are being developed by research workers and technicians in two Bureaus in the Agricultural Research Administration--Bureau of Plant Industry, Soils and Agricultural Engineering and the Bureau of Human Nutrition and Home Economics in cooperation with the States. These plans and specifications incorporate the minimum space, functional, structural, and equipment standards agreed upon at a series of regional meetings arranged by the Department of Agriculture in 1949 following the passage of the Housing Act of 1949. Agricultural Engineering and Home Economics representatives from the State Experiment Stations and the State Extension Services as well as representatives of the Farmers Home Administration attended these meetings and assisted in formulating the minimum requirements to be incorporated in the basic plans. ^{4/}

The following general statement appears in an introductory paragraph of FHA Instruction 424.11:

"All new buildings--financed with Farm Housing Assistance should conform to the minimum construction standards set forth herein. Strict compliance with these minimum construction standards will be required in connection with new buildings...."

Following this, several pages are devoted to a detailed discussion of minimum construction standards for the site and for the dwelling. The standards for the new dwellings to be erected include the following:

1. The plan will include either a bathroom or space for a future bathroom large enough to include a water closet, lavatory, and tub.
2. All bedrooms will be provided with at least one clothes closet, 2 feet deep and having a floor area of at least 6 square feet.

^{4/} See Rural Family Living, May 18, 1950, pp. 18, 19.

3. The glazed window area for each habitable room will be at least 10 percent of the floor area.
4. The kitchen will be properly equipped with a sink, cupboards, drawers, and adequate working surfaces.

With regard to water supply, plumbing, and sanitation, the minimum standards prescribe that 1) the domestic water supply must be adequate, convenient, and uncontaminated, 2) the installation of all plumbing work will comply with the requirements of the applicable local and State regulations, and 3) privies and other individual sewage-disposal systems will meet applicable local and State regulations as to design and location.

Except for certain specified conditions all new houses will be wired for electricity when built. The requirements set forth the number and kind of outlets in strategic areas of the houses and the location of the switches.

The structural requirements for concrete and masonry houses and for those of wood construction are set forth in some detail, likewise the exterior wall finish, interior wall and ceiling finish, floors, roof covering, and flashing.

These approved requirements serve as guides for the use of architects in preparing plans under this program.

The expanding use of electricity in farmhouses.—Recent studies by the Bureau of Agricultural Economics in cooperation with the State Experiment Stations in three States in widely separated areas of the country ^{5/} reveal that once their farms are electrified, farm families make rapid strides in acquiring electric appliances and installing running water in their dwellings (see current issue of Chart Book, pages 70-75).

These findings (Chart 31 p. 72, table p. 73) indicate that, next to an electric refrigerator, a larger percentage of families included in the sample in each of these three regions had installed water under pressure than any other one modern improvement. It should be noted, however, that since we lack information as to the number of these houses that have kitchen sinks with drains and fully (or even partially) equipped bathrooms, the data as to number having water systems may be somewhat misleading.

Many farm families equip their houses with running water on the installment plan. Usually the water is piped to the kitchen sink first. Later, bathroom equipment is installed and the water pipes are extended to that part of the house. Frequently some time elapses before hot water is added, and a flush toilet is installed.

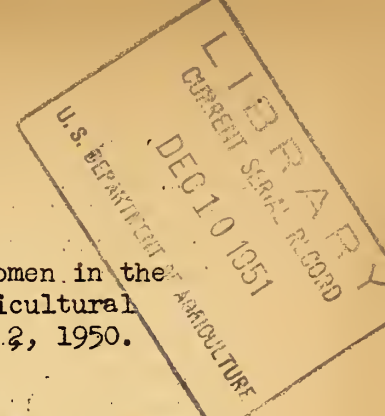
In the Piedmont area of Georgia, 45 percent of the farms in the sample a total of 249 farms, had a pressure water system but the investigator reported that running water in the dwelling often stopped on the back porch or in the kitchen. Less than one-fourth of those having running water had electric water heaters in their houses. Similarly, of the farms in the Iowa sample that were equipped with a pressure system only one-third had a water heater in their dwellings, while half of those in the Washington sample were thus equipped.

^{5/} Georgia, Iowa, and Washington.

UNITED STATES DEPARTMENT OF AGRICULTURE
Extension Service
Washington 25, D. C.

IMPORTANT ISSUES ON THE INTERNATIONAL SCENE

Talk by Rachel Conrad Nason, Advisor on Status of Women in the
U.N., Department of State, at the 28th Annual Agricultural
Outlook Conference, Washington, D. C., November 2, 1950.



It is a real pleasure to be with you today. I regard myself as an alumna of the Department of Agriculture, for I was a member of the Training Division of the Office of Personnel back in 1942 and 1943. At that time I shared one of these outlook conferences, as part of my assignment to prepare a handbook for new employees. My first real acquaintance with the women in the Extension Service came at that time. Since then I have talked of their work many times and in many places -- sometimes here in the United States, for not enough of our own citizens realize the value of the Extension program -- but far more often with women from other countries who have come here as visitors, or with officials when I have been abroad. The same questions come up the world over for women -- how to plan a kitchen is one of them. Numbers of women have carried back across the ocean the Extension charts on kitchens -- I saw one in a professor's house in Syria a few years ago, and I remember how, just after the war and before Czechoslovakia fell under communist domination, the lady Vice-Mayor of Prague made a special trip up here to gather every conceivable bulletin that would help the people in her country rebuild their homes better than before.

There is another way that the Extension Bulletins go out to other lands, and that is through the Overseas Libraries of the Department of State. You have probably heard of the USIS -- the Information centers in cities in almost every country -- not just in the capitals, but in many other cities as well -- where those interested can find out about our country and take advantage of publications and pictures about life in the United States. I have been in some of these USIS offices, and can testify that many of the Agriculture "how-to-do-it" bulletins are in constant demand. In Iran and some other centers in the Middle East these libraries supply suggestions on sewing and embroidery to certain women's groups along with discussion outlines and study materials on the activities of women in the United States.

I have been asked today to deal with certain very definite questions which farm families, and indeed all families, must face in the coming year. For some of these questions no definite answer is possible. But we can look at the trends together, and think through what may be helpful when you talk with folks on their home ground.

The first question is a basic one for everyone -- it is about taxes. We will all be paying more taxes in 1951. Some feel they are high taxes. And the question is -- are we getting our money's worth in return?

Mr. Keyserling gave you some of the answers last night. It is a question of paying for peace, ^{not} Every woman, every family, would rather pay for peace than for war. That is ^{really} the issue. The issue is whether these new taxes

NOTE: See page 8 for "How to Find Out About the United Nations."

are being spent in ways that make for peace, and in ways that will make war less likely to come to our children, and our homes. I shall talk about only a few of these expenditures, but because they are constructive ways to help in unhappy areas where war fears can easily grow -- they are tremendously important.

Let me begin with Point 4. Point 4 has already become an international expression, even though it refers only to a section in the President's inaugural address two years ago. Point 4 is a program of help to the less developed areas of the world. It is exciting hope and faith among people who had seemed almost to have lost the capacity for hope. Already the first projects under this plan are under way -- in Asia, Latin America, and other areas. They begin by supplying technical experts to governments who can help the people make their own countries more productive -- through stamping out malaria and other diseases, through better farming methods, education, increasing industrial skills, and better methods of doing work. They also train local people, either on the spot or in other countries so that they can carry on at home. I have here a report of a project now in operation in Afghanistan. It began, as do all Point 4 projects, with a formal request from the Afghanistan Government for assistance. A survey mission went out last March and recommended that a group of technical experts go out for a period of months. Some of these are already on the job -- Dr. Jenkins of the United States is one of them and he is there as an agronomist from FAO. There are other experts on livestock production, the use of raw materials in industry, soil and irrigation, public administration, and economics, to be supplemented later with an oil geologist, a specialist on Karakul sheep breeding and management, rinderpest control, and other matters. This Afghanistan project is one that has been worked through by the United Nations with the help of the FAO; many of the projects now in operation have been set up in this way. Others are being planned by Governments directly with the United States; the recently announced project with Iran is one of these bilateral projects, and will specialize on health, education, and agricultural problems. I cannot begin to tell you details of these projects -- you have probably heard of the request from Syria for a home economist, with the added note that this should be a woman. Each of these projects is a story in itself. None are large. But together they add up to a most significant venture in sharing know-how between countries, some of which know more and some less about the difficulties people encounter.

The Quakers who have done a great deal of thinking about peace, speak of developing a way of life that "will take away the occasion for wars." This is the object of the point 4 program. It rests on the realization that people who are hungry, cold, sick, ignorant are readily persuaded into hatred and violence; and that people who are able to satisfy their immediate needs are far more ready to plan cooperatively with other people for the common good. It is the opposite of imperialism. Its object is to equip the peoples of these countries to help themselves, not for our profit, or for theirs alone, but to increase the reservoir of stability and good will and intelligent understanding on which a healthy United Nations can grow.

Point 4 alone would not raise our taxes appreciably. It is a very cheap program. The total appropriated by Congress for Point 4 in this first year is 34 and a half million dollars. Of this a little more than 12 million will be allocated through the United Nations, and other United Nations members have added to this fund until it amounts now to more than 20 million dollars. The United Nations program is carried out also through the FAO, World Health, the ILO, UNESCO, the U.N. itself, and ICAO -- ICAO, in case you do not recognize the initials, is the International Civil Aviation Organization.

While I am on the subject of finance, you may be interested in a few more figures on what our international obligations cost. The total budget for the United Nations in 1950 is \$49,641,773. Because it has some outside income, the amount the United Nations assesses on its Members is a little less -- \$42,170,000. Of that the United States pays 39%, or \$16,779,443. The United States will pay \$1,355,000 of this year's FAO budget; I say "will pay", because the original appropriation for the FAO was for only \$1,250,000, and it was not until recently that Congress passed on additional authorization which will permit them to appropriate the balance when they return. For the FAO the United States pays a smaller proportion of the budget than it does in the United Nations; our proportion for the FAO is only about 27%. For the World Health Organization the United States pays 36% of the budget; for 1950 our payment -- again not fully appropriated -- will be \$2,519,907. Our total amount of payment for all the permanent United Nations Agencies -- this includes the above and also UNESCO, ILO, ICAO and the International Telegraphic and Postal Union -- amounts only to \$24,126,818. Our total for what we call the emergency and relief agencies is greater -- those include UNICEF, the IRO, the Relief for Palestine Refugees, and a few similar items -- and for the fiscal year of 1950 our total on these is \$96,352,029. On these items the United States, as was to be expected, has carried a much larger proportion of the total; for UNICEF our proportion has been 72%, and over a three year period our contribution will amount to \$75,000,000. These emergency and relief demands will vary over the years; several of the current needs, such as the IRO, will be less and disappear in the next year or two, but the reconstruction of Korea will require as much and possibly more from the United States.

We have grown accustomed in recent years to government expenditures that run into billions. The total of all these items I have listed, including Point 4, is about 154 million. That is a great deal of money. But it is only about a dollar a piece for the people of the United States. Looked at in those terms it seems a small investment in long-time world organization. You might look at it as our annual dues -- one dollar each -- for international stability.

From that point of view, I believe the question is not -- is this too much, but -- is it enough?

Now for question number two -- What changes in our family living will be required by these new international programs? When do we get back to normal?

This question can be made a lot shorter. Has Korea paid? Is the United Nations worth fighting for? And how much longer will United States forces be needed in Korea?

Again -- no one can answer such a question. Few people have the courage even to ask it. But there are a great many people, mothers especially, I think, who ask themselves these questions, and it helps to get them out in the open. What can we say?

The first answer is perhaps the obvious one -- that without a United Nations, without the progress in world organization it represents -- we could not hope ever to get beyond war. This fight to uphold the authority of the United Nations is the world's first police action. The world as a whole has not yet accepted the authority of the United Nations. When it does, the force of opinion -- the opinion of the people in every country -- will help to restrain Governments that believe more is to be gained by violence than by cooperation. If the United States had not moved to uphold the authority of the United Nations in Korea, we could look forward only to more wars, more violence, and an end to the United Nations itself.

I have something to say on this, because I watched the old League of Nations die. I was there when it happened -- in that meeting of the Council of the League in September 1931 -- when the Japanese refused to withdraw from their attack on Manchuria, and the League found itself helpless to stop the Japanese aggression. I was in Europe at that time on behalf of Mrs. Carrie Chapman Catt, who had sent me out as a special reporter for the Old National Committee on the Cause and Cure of War. The news of the Japanese attack spread through Geneva like wildfire on a Saturday morning. The Council met in emergency session at four in the afternoon. Many of the diplomats and newspaper men had left the city for the weekend, but the Council room was crowded and tense. Gradually the story was revealed -- a tall, gracious Dr. Koo of China stating the charge with anger and horror in his voice; the Japanese delegate unable to give any assurance of withdrawal; the diplomats of the great powers pleading with both for time and peace. The talk went round the table, with what seemed endless translations between. No one wanted to believe the worst; yet no speaker could pledge his country to come to the aid of China. As the tension grew, all became aware of a second Japanese, Mr. Sugimura, one of the Assistant Secretaries General of the League of Nations. He was not sitting at the Council table; he was sitting behind the representatives, in the place reserved for League officials. He had already given ten years of his life to making the League of Nations a success. He had listened quietly during the discussion, but when the Japanese delegate repeated his refusal to consider apology, he began weeping, silently, great tears rolling down his cheeks. He knew that the country he loved was destroying the institution he served. Few of us realized it then. But later all knew. Japan's raid on Manchuria was successful. Mussolini moved unchecked on Ethiopia. Hitler moved on Czechoslovakia. The League was dead. It had been dead ever since that fateful afternoon in Geneva, when Sugimura wept because no one cared enough for peace to undertake the duty of policeman.

But that, you say, is history. It doesn't help much when the family has to eat pot roast or maybe no meat at all, or when there isn't money for new trousers for the boy that is growing too fast, or when the older brother is drafted for the Army. I'm not so sure of that. It might be a good idea to get

a little more history into our family living. The action in Korea has helped, but it has by no means assured the success of the United Nations. The United Nations will be only as strong as its Members make it. It will be easier for our boys and girls to take on their jobs as emergency policemen, and to accept the military training they may need to be ready, if they know from the start what risks we face, and why.

For this business of freedom and democracy is something that begins at home. It begins by sharing with our boys and girls the new ideas they bring home from school -- haven't you heard remarks about the new textbooks, and how much better the old ones were? You who have been making United Nations flags don't need to be told about that! It carried on through the whys of our limitations -- why there is a shortage of beef, or why it is wiser to buy a government bond than a new suit. The young people that we ask to go out to fight need the long knowledge of values that only such home thinking and home talking can give.

Another resource for family thinking is the Universal Declaration of Human Rights. Much of my own work in the Department of State has been concerned with the Declaration, and I have asked that you each have a copy this afternoon. You know most of these rights -- rights to security of life and liberty, to freedom from slavery and torture, to fair trial and freedom from arbitrary arrest, to freedom from search and seizure -- the Declaration calls this privacy of family, home, and correspondence; to freedom of speech and opinion, to freedom of conscience and religion, the right to a nationality and to vote in one's Government; the right to work under fair conditions -- at equal pay (as a woman, I like to include equal pay in the list, detail though it is!), the right to rest and leisure, to health, housing, and social security, the right to education and culture. These are all rights we have known in this country for many years. They are set down in the Declaration as an objective, as a common standard of achievement toward which all peoples and all nations may strive together. But we have these rights today because our ancestors fought for them, not once, but many times. They fought for them in England, back in the days of the Magna Carta; in France, in 1789, in the American Revolution and again in 1861; and it is for these same rights and freedoms that our brothers and husbands and our sons have been fighting in this generation. Human Rights are the dynamic of government just as they are the essential to our individual sense of dignity and worth; through the centuries, and no less today, men and women have preferred to die than to live without them. At the moment, indeed for some years to come, the issue is in doubt. But it is an issue worth fighting for. And Living for. The language of the Universal Declaration of Human Rights helps to define the reasons why the United Nations is worthwhile. The Declaration has already been translated into many languages and has been published in every country where the press has been allowed to publish it. It should be a part of the living and talking in every family, in our country and in every country.

One more aspect of how families can help -- are you hearing much back in your home states about the Education Exchange Program of the Department of State -- the visitors that are coming to the United States from other countries, sometimes on money supplied by the Government and sometimes on other funds, to study American institutions and ways of life? Over 8,000 grants were made last

year by the Federal Government alone. A number of these visitors have come in the past year from Germany, and I mention them especially because among them have been groups of women and some farm women who have gone out to live for a while in farm homes in the Middle West. There have been young people, too, I have talked with some college students who saved up their travel allowances so closely they were able to do a cross-continent bus trip before they went back, and saw our farm lands on the way. There are groups coming constantly from all over the earth -- the plans this year include more than 60 countries. They value invitations into our homes more than almost any other opportunity they have. If a visitor is routed your way, don't miss meeting her- or him- as the case may be. Get the neighbors in on a party. The ocean seems smaller after a talk with a visitor from abroad, and you will be doing even more if you plan to exchange letters with him after he returns.

Now for the third and final question I undertook to answer. It is a brief one. Is the United Nations a woman's job?

The answer is even shorter -- yes, of course it is. The question seems to assume that it is up to the men. It is up to the women, too.

By that I mean the whole of the United Nations program. There are a great many women who are much interested in Point 4 and the Declaration of Human Rights, for instance, but do not feel at all that they should tackle the questions involved in an international police force, or in budgets and taxation, or in running for public office. It is time we got over that. Government, and in that I include the United Nations, has a great deal of housekeeping in it. The same know-how that helps a housewife keep the family budget in line and plan for everyone's good health and future happiness carries right straight over into running the town, and the State, and the Nation, and the United Nations. One of our frequent difficulties in talking to our foreign visitors is that English is one of the few languages that contains the word "citizenship". The words our visitors use describe rather what we would call partisanship -- attachment to one theory rather than another. They find it hard to understand our common interest and agreement as to methods of government even though we differ energetically on party issues. I have found that the easiest way to get our idea of citizenship across is to put it in terms of public housekeeping. This is especially easy for the women. No woman would consider herself much of a homemaker if she were not able to do the weekly shopping and come out square. We can go at the United Nations the same way.

Another question frequently asked is why there are so few women in the United States Congress, -- today only 7. For several years I have acted as advisor for the United States Representative in the United Nations Commission on the Status of Women. That Commission is made up from fifteen countries; so far there have been only women on it. Each year the Commission reviews progress; and in many fields, like woman suffrage, each year shows some notable advance. But on one item the record has been very discouraging, and that is the number of women in high public office. The United States has always had one woman, and often two, on our General Assembly Delegation, and no other country has had quite as good a record on this. But a great many countries regularly elect more women to their Parliaments than we do here in the United States. There are 22 women in the new German Parliament at Bonn. There were 23 in the last

Japanese Diet. We can find reasons for our situation -- for instance, that our Congressmen represent particular districts, and candidates must prove themselves in rigorous local campaigns. But that does not excuse us entirely. You may want to raise this question as you talk with the women you meet this winter. How do farm people feel about women in public office? Would they vote for a woman if they thought her better qualified? Do they encourage their daughters to think about politics? Or is politics still a man's game?

Women in other countries are talking about these questions, too. The United Nations has set up a plan by which international organizations like the Rotary Clubs, the YWCA, and similar groups can be recognized as consultants on questions in which they feel a special interest. The Associated Country Women of the World have consultative status with the FAO. For several years they were also recognized by the Economic and Social Council of the United Nations, but they withdrew from that because they found there were few questions on which they could really offer much advice. The organizations recognized as consultants try to keep observers at all United Nations Meetings, and they frequently ask to be heard on matters under discussion. I am always impressed when representatives speak, for they bring in recommendations from many countries -- the YWCA, for instance, has branches all over the world, and sends out reports to stimulate discussion ahead of time. In 1949 the Commission on the Status of Women met in Beirut, so that they could be nearer some of the countries in which women have not yet achieved the vote. One evening we visited the YWCA there, and we found the girls talking about the United Nations just as we do -- about how it works, and what it costs, and Point 4, and getting more women into public office. That was an exciting Commission Session in Beirut, for while we were there the women across the mountains in Syria were promised suffrage, and they got it in time to vote at the next election.

Whenever I talk about the Commission on the Status of Women, there are questions about the women in Russia. The USSR is a member of the Commission, and except for last spring had a representative in attendance -- Mme. Popova of Moscow. She is very attractive in her manner, and an able lawyer. On the fundamental issues of women's rights there is little disagreement in the Commission, and it at first seemed that there must be ways to write resolutions and plan actions which all could favor. I believe that somehow we expected that because we were all women together, we might escape from the hard conflicts between the Soviet and the western democracies that were arising in other meetings of the United Nations, and somehow prove to ourselves and to others that women could accomplish miracles. If you have read the reports of this Commission, you know quickly we were disillusioned and forced to meet the issues, not on the basis of our common interests as women, but as to whether equality for women meant equality in freedom or equality in slavery. This is no time where women in the United States, or anywhere else, can take refuge in their sex to escape the hard tasks of judgment and decision.

The international outlook for 1951 is brighter than in 1950. The United Nations is stronger. Point 4 is in operation. The next question is to you -- are you, and the women you know, growing with the times to meet their expanding opportunity!

HOW TO FIND OUT ABOUT THE UNITED NATIONS

For information on the United Nations and the Specialized Agencies!

The UN puts out a Study Kit containing leaflets on each of the specialized agencies (including FAO) along with basic facts on the UN and its work. For this send \$1.00 to International Documents Service, Columbia University Press, 2960 Broadway, New York 27, N. Y.

The UN also supplies a weekly Clip Sheet, United Nations News Features free of charge to speakers, newspapers, and similar groups making regular use of such material. For this write Features Service, Press and Public Information Bureau, United Nations, Lake Success, New York. Explain how you will use it in your work.

The Department of State puts out monthly a Current Review of Economic and Social Problems in the United Nations for use by speakers, writers, and others interested. Write Division of Public Liaison, Department of State, Washington 25, D. C. The Department has also a limited supply of a pamphlet on "The Point 4 Program." There is no charge for these. Additional material can be obtained from the Government Printing Office, Washington 25, D.C. -- Recommended: Facts and Figures on the United Nations (5¢); Action by the United Nations (a graphic presentation - 10¢); and United Nations Today (A discussion outline - 5¢).

To get in touch with visitors from abroad:

Most of the women visitors are scheduled by the YWCA, AAUW, and similar organizations under the supervision of the Women's Bureau of the Department of Labor. There is need for invitations to small towns and rural communities. Write Miss Mary Cannon, Chief of the Women's Bureau International Division, Department of Labor, Washington 25, D.C. State Universities and many local colleges and technical schools also have foreign students who welcome invitations.

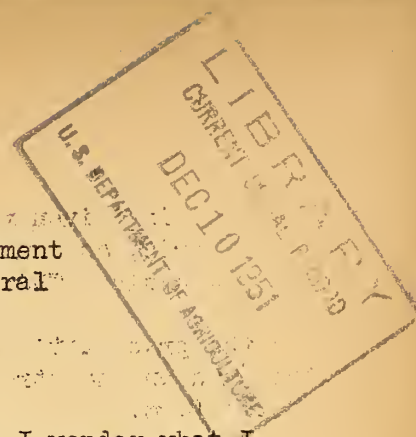
To visit the United Nations:

Sight-seers are welcome at any time, and the American Association for the United Nations has a volunteer briefing service in the lobby at Lake Success. To visit meetings in session, tickets are required; the more advance notice and choice of dates you can give, the better your chances. Write the Special Services Division, Department of Information, United Nations, Lake Success, New York, N.Y.; individuals should address Mr. David Walsh; student and teacher groups, Mr. William Agar; and other groups, Mr. James B. Orrick.

SIGNIFICANT ASPECTS OF THE OUTLOOK

Summary Statement by Mrs. Clara Leopold, Home Management Specialist, Nebraska, at the 28th Annual Agricultural Outlook Conference, Washington, D. C.

November 2, 1950



As I look back over the years I have been coming to Outlook, I wonder what I got out of the first year. Of this much, I am sure - I didn't know what I expected or what I was looking for.

The general world situation was really not altogether unlike that in which we find ourselves today, but in 1938 the under-current of unrest in Europe was having its effect on American thinking, but that thinking was with a feeling of smug security and safety because of our then so-called remote geographic location.

At the close of the 1938 Outlook, I found myself loaded with a lot of big figures, and a good many very cautious statements -- all prefaced with the words of every "accomplishment economist", "well, now I wouldn't say that -- but other things being equal, perhaps thus and so!" There was relatively little given to us in writing and what little we did receive, came later. I blessed my stars that year that I could fill my notebook (in which I invested on the run after I arrived and after the first day's sessions) with shorthand notes. My notes also came in handy for our farm management representatives.

The direct application to family living or a family's pursuits to have that living were almost nil. The picture was painted in Nationwide totals, which no doubt is still good procedure and technique for the topflight economists, who don't have to take it apart for Mr. and Mrs. Average Farmer.

Just how and what the State representatives were to do with all these perfectly good data were left strictly up to them.

As Mrs. Weiss spoke on Tuesday, she used the comparison about trying to shut down the steam while still throwing fuel on the fire. If I may use her analogy I felt I'd been giving the job of generating a lot of steam, but I didn't know how to build the fire with the fuel I'd been given.

By contrast; this year we are hearing again about the goings on in other parts of the world. This time we are not only closeby but have more than just a finger in the whole thing. We've been an active participant in the situations that have brought us today's conditions, and the world has a somewhat better idea of what we can and will do. But instead of coming into one new hi-way of national and international importance we are facing a three-way road, each with its own set of conditions and possibilities of varying influences on our future, nationally and individually --

1. Continued cold war, with stepped up defense programs.
2. All out or hot war.
3. Negotiated peace.

We are being given much more from viewpoint of the individual application, or in other words, as someone expressed it, the fate of the consumer is being given more emphasis. This has put some meat on the bones of the skeleton.

And the presentations of the possibilities in the year ahead are in language of the "man on the street" or perhaps it would be better to say the man and woman on the farm.

My impression from the various discussions gives me to understand that there is a year or so ahead of what might be called inflationary prosperity, growing out of the defense boom now getting slowly underway.

Next year we will find most farmers prosperous with their gross income at a record high. But by another yardstick for measuring farm prosperity -- net income -- the outlook is not quite so favorable -- although it's far from bad, for despite record high production expenses net farm income will be up something like 15% -- "other things being equal of course!" Even with this increase, net farm income will likely fall short of the record high of both 1947 and 1948. A new feature in today's income for farmers is the large amounts farmers in some areas are earning in non-farm pursuits.

The increasing military program brings with it "considerable certainty" that inflationary pressures will become greater next year. The buying power generated by the military expansion through increasing employment, higher wage rates and overtime pay will swell the domestic demands for most goods and services.

The general cost of living will be higher and some commodities for which increased income might be spent will be in shorter supply, particularly the articles made of materials of strategic military value. However, as far as I have been able to discern no one has yet ventured to speculate on the possible impact of wage, price and rationing controls.

Although families will pay higher prices for food, the per capita consumption conceivably will increase if we can judge by past experience. During the war years just past there was a definite shift of spending for more food when the consumer durables were unavailable. Taxes -- (increased that, that is) -- have been pointed up a number of times as another means to absorb some of the prospective enlarged incomes, coupled with present and possible future additional credit controls.

There are a few of the significant facts that are seen by most of the home economists here this year, and if I've misquoted any of the facts and figures I make no particular apology, for what I say is not in writing!

Just look it up for yourself in the copies of talks that are being furnished this year, not just summaries, if you please -- and let me say thanks to all the personnel who have been responsible for seeing that we have the detailed reports in our hands when we go home. In this line, may we the home economists at least, suggest that there be a more systematic method for distributing the printed material to State representatives. The mad scramble like a thundering herd to snatch a copy before the supply is exhausted, isn't altogether a happy occasion.

The home economists have already had some demonstrations and helps on methods and techniques for presenting Outlook in the field. These have been of real help and we are anticipating some more good ideas on methods in the sessions tomorrow. These method and technique leads, are of special help to those who are here for the first or second time. I would have given a lot for one little, tiny bit of such a suggestion the first time I came to Outlook.

I am sure the home economists from the States would want me to express an appreciation to the Washington personnell in the Bureau of Agricultural Economics, Bureau of Human Nutrition and Home Economics, and the Extension Service for this excellent Outlook session. We recognize that it is no small task to draw together so many information sources into one coordinated program of this kind. The enlarged participation of the States has no doubt meant even more work and planning on the part of the Washington people.

As the little boy said when he took the last piece of candy from the box -
"Thanks jillions!"

Now again, I'm at the place of what next? Here we are with more income but less goods; higher prices, higher taxes; look out that you don't contribute to that two-headed monster, inflation -- and yet we extension people are pledged to help the farm family raise its standard of living, recognizing that nearly half of them have incomes of less than \$2000. I'm reminded of Uncle Remus' song to his young friends in a Walt Disney movie entitled "So Dear to My Heart". Part of it goes something like this -- sans music, of course:

It's the means you applieth
That raises your stock.
Look what David did to Goliath
With a little old hunk of rock.
It's whatcha do with whatcha got
And never mind how much ya got,
It's whatcha do with whatcha got
That pays off in the end."

Not a bad theme song perhaps for all home management people, either farm or home!

